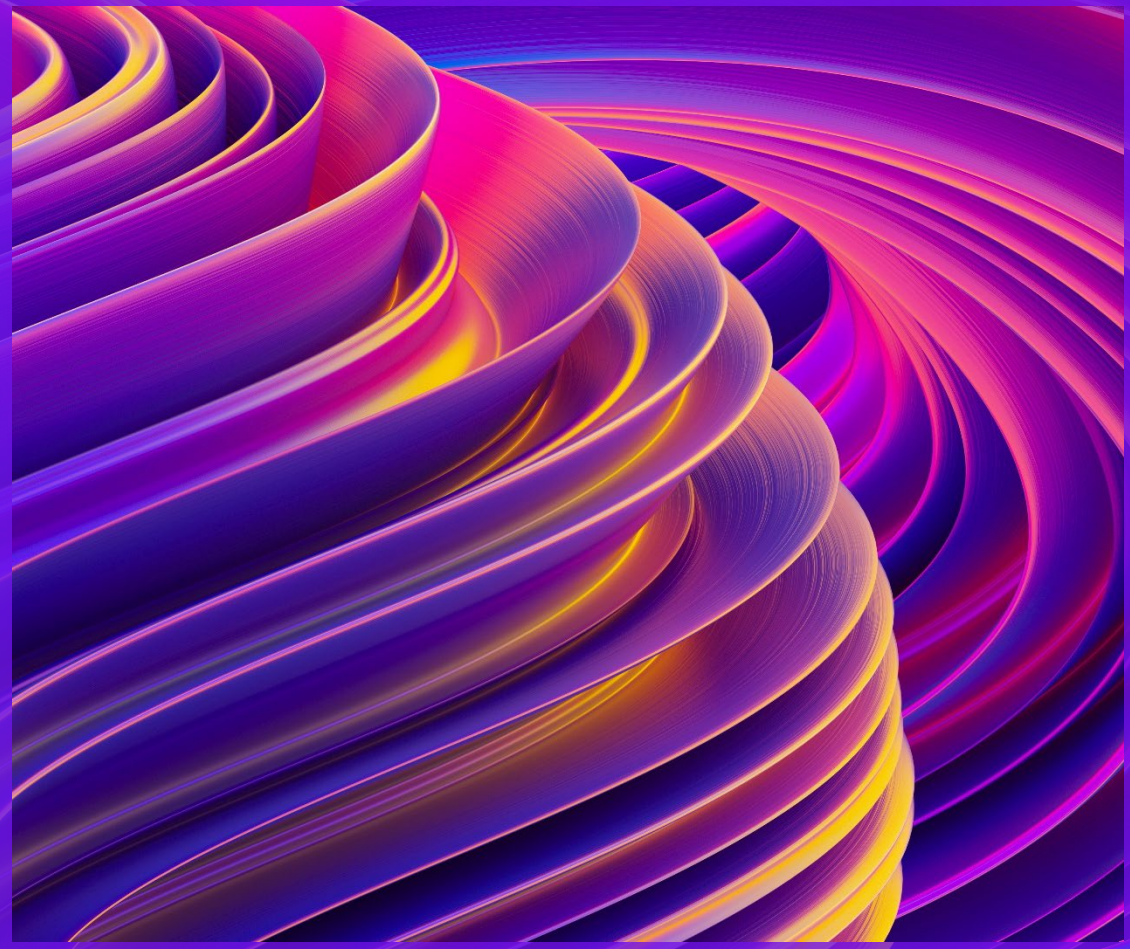
KPMG

City of Winnipeg - Mayor's Office and Chairperson Expenditure Reports



Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Prepared as of June 5, 2024

kpmg.ca/audit

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The purpose of this Audit Findings Report is to assist you, as a member of The City of Winnipeg Audit Committee, 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, 2023.

KPMG shall have no responsibility or liability for loss or damages or, claims if any, to or by any third party as this 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.

Digital use information

This Audit Findings Report is also available as a "hyper-linked" PDF document.

If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Overview

Overview of the Mayor's Office Expenditure Policy

The City of Winnipeg Mayor's Office Expenditure Policy (the 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. The Policy will also cover the expenditure of Chairperson Funds, which are allocated by virtue of the Mayor acting as the Chairperson of a committee.

The current version of the Policy was amended on November 1, 2023.

The adopted budgets for the Mayor's Office Fund in 2023 was $1,872,730 and the total actual expense was $1,834,925.26.

The adopted budget for the Mayor's role as Chairperson on the Executive Policy Committee was $4,000.

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 Corporate Finance Department and the Audit Committee, in relation to the funds.

The provisions of the Policy also apply to additional funds provided to the Mayor as chairperson on the Executive Policy Committee.

All organizational stakeholders are responsible for the 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 Chief Financial Officer (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.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the Mayor's Office Expenditure Reports of The City of Winnipeg (the "City") within the provisions of the Mayor's Office Expenditure Policy (the "Policy") as at and for the year ended December 31, 2023.

Materiality

Materiality $18,300

Policies and practices & Specific topics

- Significant unusual transactions
- Accounting policies and practices
- Other financial reporting matters

Control deficiencies

- Significant deficiencies

Risks and results

- Other risks of material misstatement
  - Expense not recorded in the correct accounting period
  - Donation receipts issued in the Mayor's name
  - Ineligible expenses treated (i.e., booked / recorded) as eligible expenses
  - Salaries of the Mayor's Office

Uncorrected misstatements

- Uncorrected misstatements

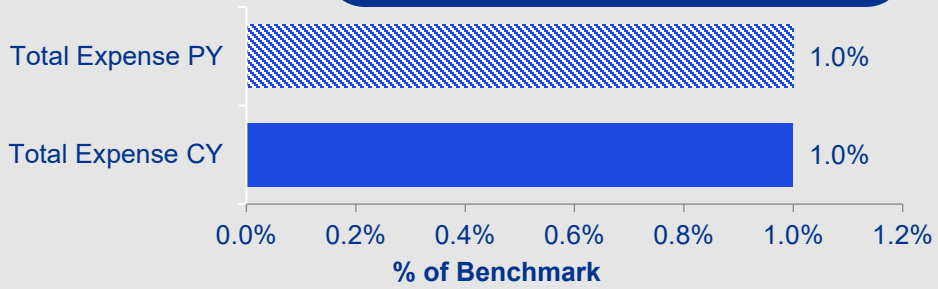
Corrected misstatements

- Corrected misstatements

Initial materiality

Total Expense
$1,834,925
(2022: $1,883,400)

Materiality
$18,300
(2022: $18,834)



We ***initially determine materiality*** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of ***professional judgement***, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We ***reassess materiality*** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We ***initially determine materiality*** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also ***use materiality*** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial information and in forming our opinion.

Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Policy, the Mayor's Office Fund (the Fund) and its reporting environment, including our understanding of the Fund's system of internal control.

	Category	Risk of error / non-compliance with the Policy	Risk rating
•	Expense not recorded in the correct accounting period	✓	Base
•	Donation receipts issued in the Mayor's name	✓	Base
•	Ineligible expenses treated (i.e., booked / recorded) as eligible expenses	✓	Base
•	Salaries of the Mayor's Office	✓	Base

KPMG selected samples for testing to cover all categories noted above where this is a risk of error and/or a risk of non-compliance with the Policy. For the Mayor's Office salaries, KPMG performed testing over 100% of the expenditures in 2023.

Based on the audit work performed, no discrepancies were found and we found no instances of non-compliance with the Policy.



Observations and recommendation

Observations and recommendations

No control observations were noted during our current year audit, nor during our prior year audit.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Program's preparation 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.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

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. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency 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 misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

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

Appendices

1 Audit quality

2 Insights



Appendix 1: Audit quality - How do we deliver audit quality?

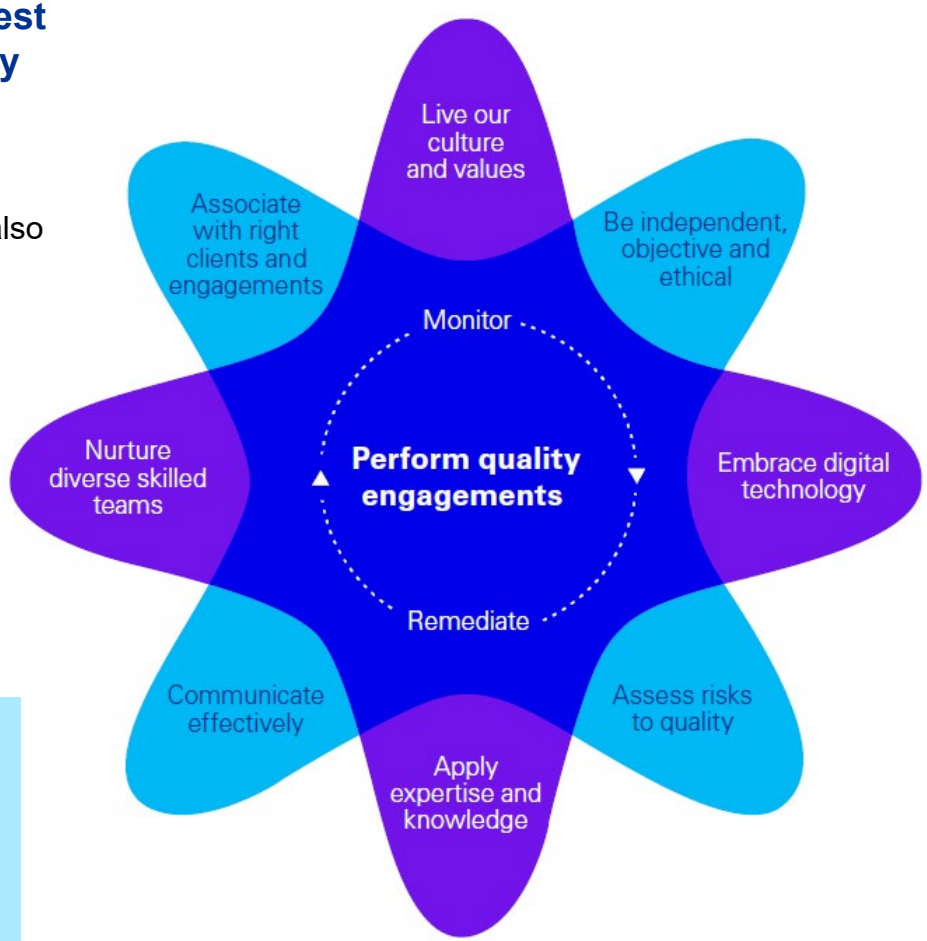
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of consolidated financial statements.

KPMG 2023 Audit Quality and Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix 1: Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Executive Policy Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.

Team composition

Experience of the team

The Partner involved has 10+ years of experience with the City of Winnipeg and 7 years or involvement with the Mayor's Office Fund Expenditures Report audits.

The Senior Manager has been involved in these audits for the last 7 years.

Technology in the audit

Implementation of Technology in the Audit

Utilized a KPMG shared site to provide management with a secure site in which to provide KPMG with the information required for the audit and reduced the need for sending information by e-mail and eliminated the use of a USB stick.

KPMG utilized pivot tables and Vlookup in Microsoft Excel to prepare the Mayor's Office Fund Expenditures report.

Timing of prepared by client (PBC) items

Timeliness of PBC items

The Corporate Finance department had all required information prepared for the commencement of our audit work – the information we received was complete and we received full cooperation from management.

Nothing to report | Some matters to report | Specific matters to report

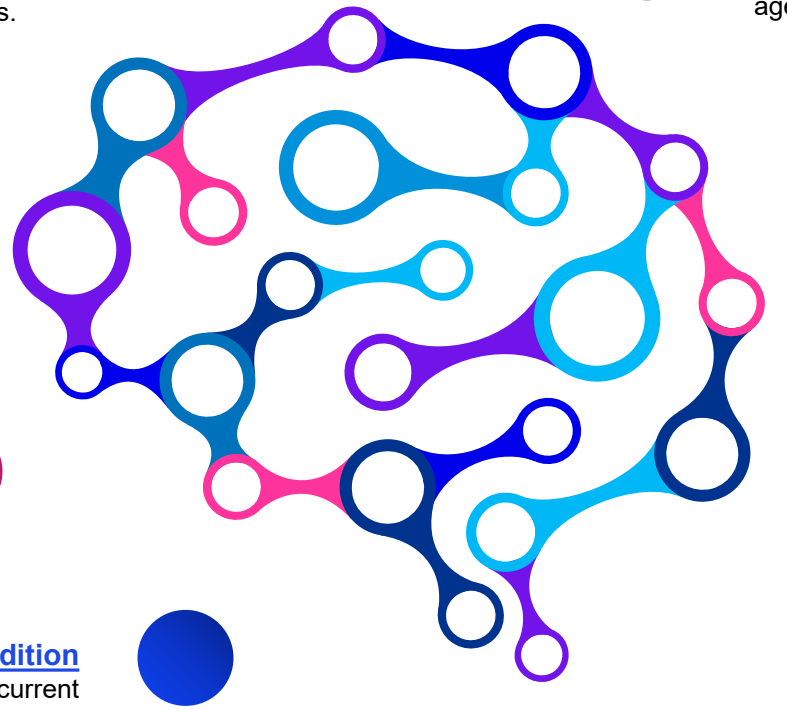
Appendix 2: Audit and assurance insights

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

https://kpmg.com/ca/en/home.html

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