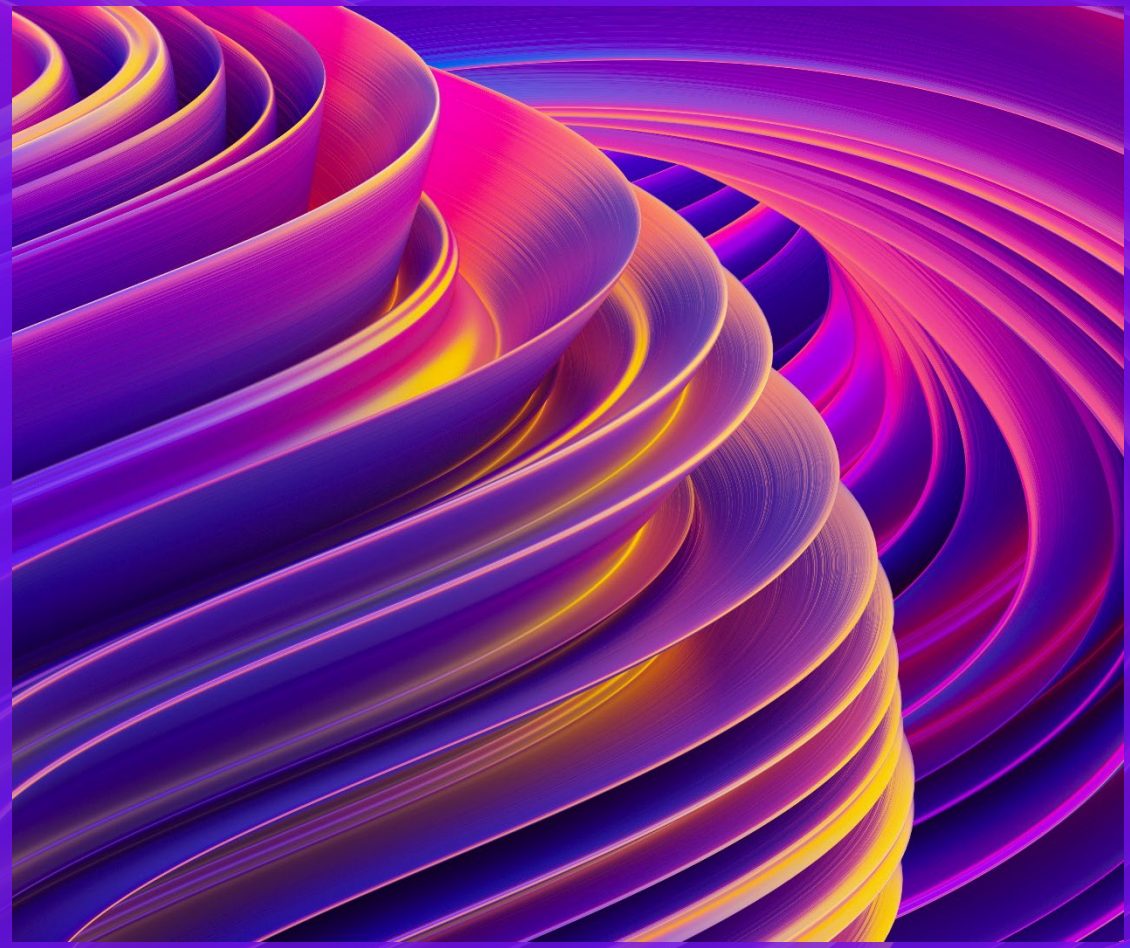
KPMG

City of Winnipeg Councillors' Ward Allowance Fund Policy Report



Audit Findings Report for the year ended December 31, 2025

KPMG LLP

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement



Shannon Magnusson, CPA, CA
Lead Audit Engagement Partner
(204) 957-2283
smagnusson@kpmg.com



Mostapha Osman, CPA, CA, CIA
Director, Advisory
(204) 957-2243
mostaphaosman@kpmg.ca



Gale Pangan
Audit Manager
(204) 989-3108
galepangan@kpmg.ca



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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.

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Overview

Overview of the Councillors' Ward Allowance Fund Policy

The Councillors' Ward Allowance Fund (CWA Fund) provides funds for City Councillors to pay for furnishings, office equipment, materials and administrative services required to operate their offices. The fund is also used for business expenses incurred by Councillors to perform their duties, communicate with their constituents and represent their wards.

Chairperson funds are received by elected officials in recognition of extra duties and expenses incurred by virtue of acting as a chairperson of a committee, or other additional Council roles.

Both the expenditures incurred in the CWA Fund and the Chairperson Fund are required to follow the provisions of the *Councillors' Ward Allowance Fund Policy*. The current policy was updated by the City Clerk and then approved by the Governance Committee of Council during the regular meeting dated February 22, 2024.

The adopted budgets for the Councillors' Ward Allowance Fund in 2025 amounted to an allocated budget of $167,198 (2024 - $164,565) per ward and either $2,970 or $4,000 for other Chairperson roles, depending on the Committee role.

The *Councillors' Ward Allowance Fund Policy* ("the Policy") provides direction on the guiding principles for the funds, guidance for spending, and detailed roles and responsibilities for fund stakeholders.

Roles and responsibilities

The Policy establishes key controls over administration of the CWA Fund expenditures. The Policy also prescribes the roles and responsibilities of Councillors, the City Clerk's Department, the Corporate Finance Department, and the Governance Committee of Council, in relation to the CWA Funds. The provisions of the Policy also apply to additional funds provided to chairpersons of committees of Council and for other Council roles.

All organizational stakeholders are responsible for following all accounting, audit and income tax principles, and rules relating to the Policy.

Councillors are authorized to spend funds allocated to their wards and are responsible for ensuring that the funds spent comply with the provisions of the Policy.

The City Clerk's Department is responsible for reviewing and processing CWA expenditures on an ongoing basis in accordance with the Policy; it is also responsible for providing accounting and financial support to Councillors, including on the handling of difficult and unusual transactions. In the event that the City Clerk's Department requires policy interpretation or guidance on the appropriateness of an expenditure, the matter is referred to the Governance Committee of Council. The City Clerk's Department can also bring forward policy amendments to the Governance Committee of Council.

The Corporate Finance Department is responsible for processing payment for CWA expenditures at the direction of the City Clerk's Department, and for the monthly posting of CWA expenditures for each ward and chairperson account on the City's website.

The Governance Committee of Council makes decisions on the appropriateness of expenditures brought to their attention. The Committee also reviews policy amendments brought forward by the City Clerk's Department and recommends policy amendments to Council.

KPMG

The purpose of this report is to assist you, as a member of the Governance Committee of Council, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Governance Committee of Council, and the Board of Directors and should not be used for any other purpose or any other party. 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.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the compliance audits of the Councillors' Ward Allowance (CWA) and Chairperson Expenditures Reports for five Councillors selected randomly by management of The City of Winnipeg (the "City") for the year ended December 31, 2025.

Materiality

Materiality per Councillor – approx. $2,000

Risks and results

Other risks of material misstatement

Areas of audit focus:

- Accuracy of unexpended funds carried over to 2026
- Eligibility of expenses per the Policy included in the Councillor's expenditure report
- Accuracy and completeness of expenses
- Donation receipts issued in accordance with the Policy
- Accuracy of salaries of Councillor's assistants and in accordance with the Policy

Policies and practices

Accounting policies and practices

Other financial reporting matters

Misstatements - Uncorrected

Uncorrected misstatements

Misstatements - Corrected

Corrected misstatements

Control deficiencies

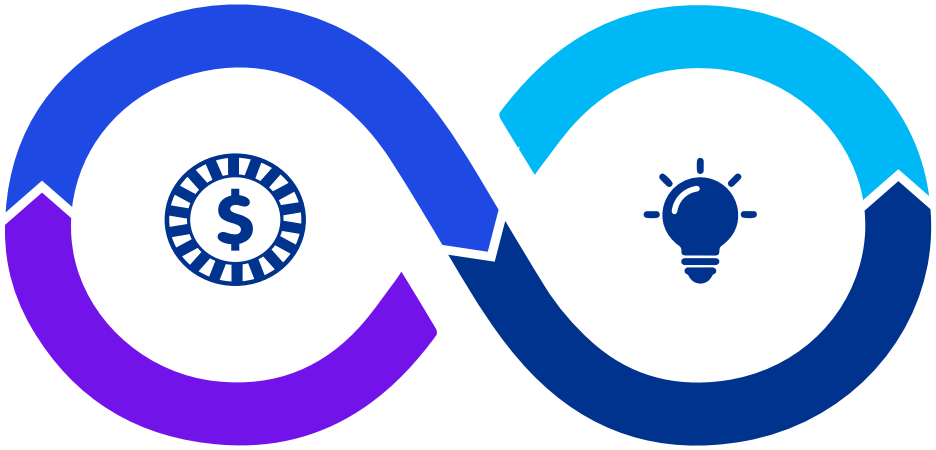
Significant deficiencies

Audit Quality

Learn more about how we deliver audit quality.

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Materiality



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.

Benchmark: Average expenditures and transfers

$136,000

Materiality

$2,000 *

Represents approx. 1.5% of benchmark

*** Ranges from $1,800 to $2,500 depending on ward expenses**

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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 CWA Fund and its reporting environment, including our understanding of the CWA Fund's system of internal control.

	Risk category	Risk of error/ risk of non-compliance	Risk rating
●	Accuracy of unexpended funds carried over to 2026	✓	Base
●	Eligibility of expenses per the Policy included in the Councillor's expenditure report *	✓	Base
●	Accuracy and completeness of expenses *	✓	Base
●	Donation receipts issued in accordance with the Policy *	✓	Base
●	Accuracy of salaries of Councillor's assistants and in accordance with the Policy	✓	Base

* KPMG selected samples for testing to cover these three categories where a risk of error or/ and a risk of non-compliance with the Policy exists.

For both the salaries of Councillor's assistants and the unexpended funds carried over, KPMG performed testing over 100% of the expenditures in 2025.



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Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements..



Impact of corrected misstatements

- Discuss the effect on the financial reporting process
  - Discussion about the cause of the corrected misstatements (e.g. control deficiencies)
  - Discussion about that the matters underlying the corrected misstatements (e.g. control deficiencies) could potentially cause future-period financial statements to be materially misstated.

During our cut-off procedures over one Councillor's 2025 expenditures, we noted an expense recorded in the incorrect accounting period, with an expenditure that was incurred in 2025 being recorded in 2026.

The expense related to advertising completed and invoiced in December 2025, but not recorded as an expense until 2026.

A correction was made to this Councillor's 2025 expenditure report to include the expenditure in 2025.

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Observations and recommendation

Observations and recommendations – Current year

No control observations were noted during our current year audit.

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Observations and recommendation

Observations and recommendations – Prior year update

1. Unexpended Funds Carried Over

Background

The Policy has a clause relating to unexpended funds as follows: Unexpended funds from the 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.

During our 2023 and 2024 audit it was noted that the CWA Fund policy was updated on March 23, 2023 and the carry-over of unexpended funds should be allocated to three categories:

- Category one – Staffing – 56% of the annual CWA fund
- Category two – General Expense – 26% of the annual CWA fund
- Category three – Ward Office / Meeting Space – 18% of the annual CWA fund

The policy did not clearly specify that the carry over of the unexpended funds should be calculated based on the above three categories.

Cause & Effect

The Policy is not clear in regards to how to calculate the unexpended funds subsequent to the March 23, 2023 amendments, which may result in overstatement or understatement of the unexpended funds to be carried over to future years.

RECOMMENDATION

We recommend that the City Clerk & the Corporate Finance Department review the Policy and update the carry over calculation related section in order to ensure that the Policy is clear and not subject to interpretation.

MANAGEMENT RESPONSE – CITY CLERK'S DEPARTMENT

The City Clerk's and Corporate Finance Departments agree with the recommendation and will submit to the Governance Committee of Council, an amendment to Councillors' Ward Allowance Fund Policy, to clarify the allocation process for the 10% carry over of unexpected funds.

2025 update

The recommendation has not been implemented as of the report date.

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Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the City'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.

There were no significant deficiencies noted in ICFR.

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Our commitment to delivering audit quality

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**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report

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How do we deliver audit quality?

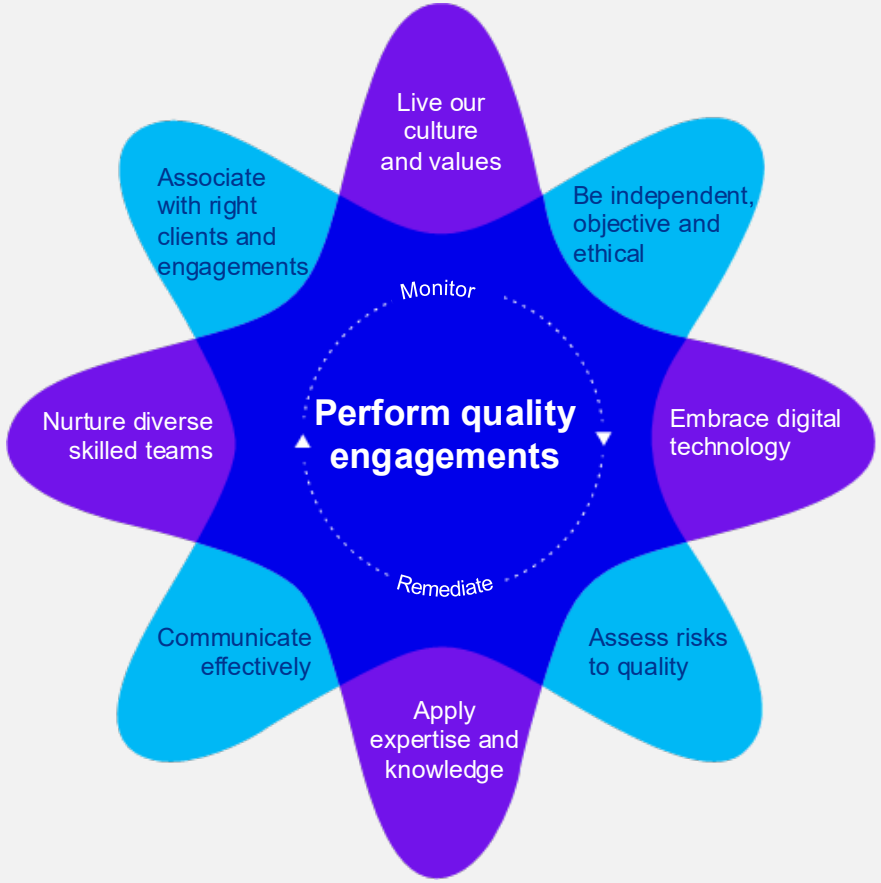
Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets 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 financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.

- **'Perform quality engagements'** sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.

- Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



Doing the right thing. Always.

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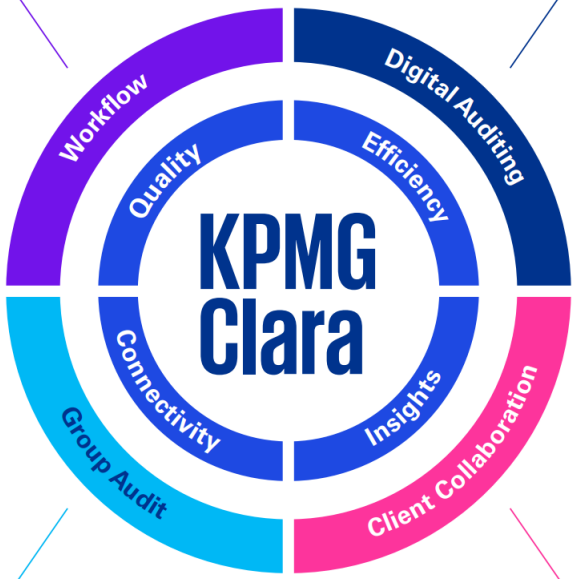
The KPMG Audit

Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.

- Data and AI-driven
- Audit & Assurance including ESG
- Global, risk-based methodology

- "Risk-to-response" analytics
- Gen AI integration
- Search knowledge base



- Enhanced two-way communication
- Tailored scoping
- Group audit connectivity

- Real-time alerts and task tracking
- Interaction with audit team
- Access to insights

- Methodology aligned with professional standards, laws and regulations
- Standardised methodology and guidance
- Deep technical expertise and knowledge
- Quality and risk management policies

- Meeting the applicable standards, including International Standards on Auditing (ISA), standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) – supplemented by KPMG firms to comply with additional local auditing standards and regulatory or statutory requirements.
- Identifying risks of material misstatements and the necessary audit response.

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Indicators of audit quality (AQIs)

The objective of these measures is to provide the Governance 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 8 years or involvement with the CWA Expenditures Report audits.

The Director has been involved in these audits for the last 8 years.

The audit manager has been involved in the City financial statement audit for the last 3 years and this is her first year helping with the CWA audits.

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 CWA 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

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Independence

As a firm, we are committed to being and being seen to be independent. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada("CPA code") that are relevant to audits of financial statements of reporting issuers or listed entities; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA independence rules") that are relevant to audits of financial statements of public interest entities.

The following processes and procedures have been established by the firm to ensure independence is maintained:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of Compliance

We confirm that, as of the date of this communication, **we are in compliance** with relevant ethical requirements regarding independence in Canada.

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Appendices

A Insights



Appendix A: Thought leadership and insights

Our latest thinking on the issues that matter most to Boards, Committees and management.

KPMG Audit & Assurance Insights

Curated research and insights for Governance Committees and Boards.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards.



Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

Governance Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping Governance Committee effectiveness in Canada.

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