

# *The Corporation of the City of Windsor - Pursuit of Grant Funding*

*FINAL Internal  
Audit Report*

*Prepared as of  
December 18, 2018*

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## **Limitations & Responsibilities**

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This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable.

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# Internal audit context

## Background information

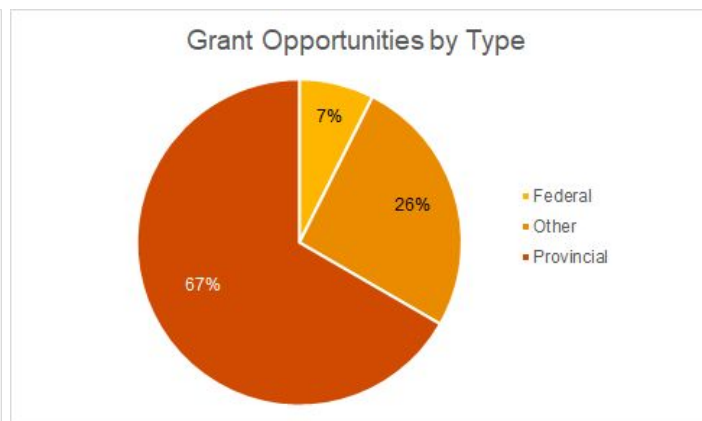
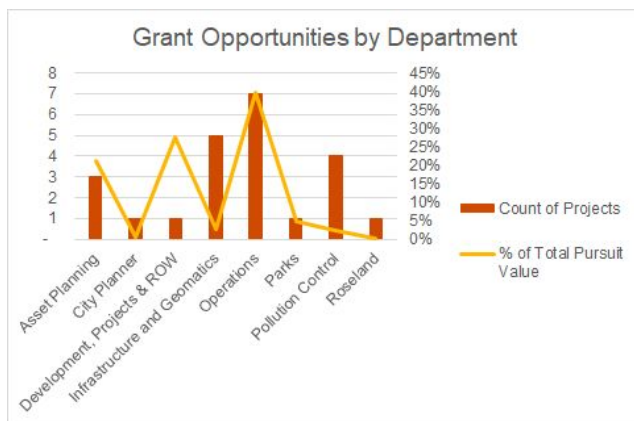
The Pursuit of Grant Funding is part of the risk-based 2018-2019 City of Windsor Internal Audit Risk Assessment and Plan approved by the Executive Committee of Council on June 4, 2018.

The City’s capital grant function was introduced in 2017, is led by the Senior Manager of Asset Planning (SMAP) and provides centralized oversight, consistent/standardized processes and capital project management services experience. Three asset coordinators report to the senior manager, of which one asset coordinator is permanent whereas the other two are temporary/interim roles. Each asset coordinator has been assigned with respective operating areas/department with alignment to asset/capital management knowledge/experience.

On a routine basis, the asset coordinators review various sources for identification of federal and provincial grant opportunities, including review of Public Sector Digest (PSD) website which pulls information from the Municipal Grant Inventory Service (MGIS) database, various other newsletters and Ministry distribution list (to which management has subscribed) and other non-government sources. For certain grants, asset coordinators receive emails directly from the grant providers notifying the City about the latest and upcoming grant opportunities. Staff within the corporation may notify the asset coordinators through the central email inbox of any grants, or related information, which they become aware of.

The City has adopted a practice to deploy a single point of contact (asset coordinator) who represents the City’s interests and establishes a rapport with the grant provider as well as senior City leadership. The asset coordinator controls and leads negotiations with the grant provider during key phases of the grant submission and contract execution process. The asset coordinators record the grant information within an internal web application which was launched in May 2018. Some key fields that are updated within the grant site include: grant name, provider, project name, status and applicable cost information.

The charts below depict grant opportunities by department and by type i.e. grants from federal, provincial and other sources. The information to prepare the below charts was extracted from the grant site and pertains to the period September 2017 to November 2018. The majority of capital grant funding pursued had originated from provincial sources/government. The highest volume and value of grants are pursued for Public Works/Operations.



## ***Scope & Objectives***

The scope of this internal audit included an assessment of the controls in effect (designed and implemented) over the City of Windsor's ("CoW") pursuit of grant funding as of September 30, 2018.

The overall purpose of this internal audit was to provide a current state assessment of the design effectiveness of controls management has implemented to achieve the following objectives related to pursuit of grant funding review managed by the City:

1. **Pursuit of Grant Funding:** Management periodically reviews/evaluates progress during grant application process to assess if decisions are carried out in accordance with a defined/approved policies and has implemented an independent/multiple level review/assessment of submission parameters or eligibility criteria.
2. **Grant Funding Identification & Oversight:** Defined procedures, resources and tools are available to identify, write, approve and support new grants opportunities which enable standardized/structured processes.
3. **Grant Preparation & Submission:** Completeness and accuracy of grant documentation/file management to enable a continuous review of outcomes and lessons learned from each grant opportunity considered.

## ***Scope exclusions***

Given the nature of the work, risk considerations and budgeted effort, the following elements are explicitly excluded from the scope of the internal audit:

- The design, implementation and operation of the Information and Technology (IT) environment and IT general controls, end user computing controls, IT application controls, data integrity of reports used in IT dependent manual controls.
- Execution of grant agreements, monitoring of compliance against grant terms, conditions, submission/review of claims, accounts receivables, managing changes to grant agreements, delegation of authority processes.
- Agency, Board & Commissions (ABC) Grant Funding/or support for ABC in joint grant applications.
- Social Services and Housing Funding.
- Recreation Operational Grants.
- Grants distributed by the City to individuals/organizations (in accordance with Grant Distribution and Fee Waiver Policy).

# *Summary of Internal Audit results*

## *Report classification*

During the course of the internal audit, specific controls were identified which generally address the control objectives of the internal audit; however, there are some controls which may be improved around enhancement of status tracking, monitoring grant process performance and delivery approach. In addition, resources to sustain the centralized model should be continuously be assessed and the benefits of the current centralized process should be formally defined/documentated in resources requests.

A detailed process narrative document has been established along with a process flowchart which defines the roles and responsibilities and defines the steps involved for the grant process. The SMAP performs reviews and updates the documented and structured process as needed to ensure various levels of review at each stage during the grant pursuit life-cycle. The following areas fall outside of the central grant pursuit process:

- Boards that manage their own grants (Police, Airport, Library); and
- Operational grant process in place for several years (Recreation, Social Services, including Social Housing).

The City has a process for multiple reviews of the grant application/submission starting from the point a grant opportunity is identified. The asset coordinator may acquire internal legal counsel feedback based on a preliminary legal review of the initial application and terms/guidelines of grant to provide commentary on obligations and terminology. There is coordination with operational departments/project leads to obtain and complete technical requirements of the application prior to the final review of grant application.




A database is maintained to track/log each grant opportunity considered or pursued, track progress and to review timelines associated with projects. This information assists the asset coordinators in communicating with project leads before deadlines and to follow up on project progress.

Prior to sign-off and submission of a grant application, the asset coordinator requests key stakeholders to review the application. A review of the completed grant application is performed by asset coordinators, senior manager asset planning, project lead, finance lead and legal.

Council has granted authority under the Delegation of Authority to the CAO for executing the grant submission/agreement. In addition, on a grant by grant basis, Council grants specific authority, that is not delegated already to the CAO, to pursue the submission/proposal and directs/authorizes management to provide the necessary financial/technical/legal support required. The review and approval of each submission is as directed, authorized or delegated, which enables the grant function to respond to deadlines as required delegations are obtained in advance of submission due dates.

On an annual basis, the Asset Planning department conducts a grant process review and lessons learned meeting with stakeholders who were involved in pursuits of grant process throughout the year. The aim of this meeting is to highlight areas of improvement, discuss and share lessons learned and if changes are required to existing DOA, Council Report or other significant Corporate documents. Minutes of these meetings are documented and circulated to the attendees. Management on an ad-hoc basis participates in budget consultations held by the Ministry of Finance, Municipal grant program fund administrators, or specific forums to gather, analyze and report themes/trends to help continuously improve interactions between key parties.

Based on the controls identified and assessed for design as part of the internal audit of the Pursuit of Grant Funding, we have determined that there is reasonable evidence to indicate that:

	No or limited scope improvement	No major concerns noted	Cause for concern	Cause for considerable concern
<b>For the objectives related to Pursuit of Grant Funding</b>				
Controls over the process are designed in such a manner that there are:				
<b>For the objectives related to Grant Funding Identification &amp; Oversight</b>				
Controls over the process are designed in such a manner that there are:				
<b>For the objectives related to Grant Preparation &amp; Submission</b>				
Controls over the process are designed in such a manner that there are:				

Management has provided comprehensive action plans, which we believe will address the deficiencies noted.

## ***Summary of positive themes***

Based on the discussion with management and documentation reviewed, the following positive themes were noted:

### **Pursuit of Grant Funding**

- The asset coordinators are actively involved with the Capital Budget project team to support the accuracy of the financial matters section of council reports and provide clarity on the impact to the capital budget once grants are awarded
- The asset coordinators determines when it is necessary to escalate any concerns regarding lack of engagement with the agreement review process and/or meeting the reporting requirements including progress reports and claim submissions.
- A documented process and flowchart /decision tree exists to guide staff/stakeholders through the relevant stages of an application.

### **Grant Funding Identification & Oversight**

- Public Sector Digest (PSD) is a platform for obtaining grant information from the, Municipal Grant Inventory Service (MGIS) database which is monitored by the asset coordinators.
- Various other newsletters and Ministry distribution list are used for identification of latest grants.
- The Senior Manager Asset Planning and asset coordinators discuss the potential grant opportunities and their requirements/assessments along with associated efforts for planning in weekly management meetings.
- An Asset Management Steering Committee meeting is held on a quarterly basis where status of grants and issues in terms of grant identification/submission are discussed among other topics relating to capital project planning. These discussions are recorded in meeting minutes. Grant applications 'at risk' of being submitted on time are discussed directly with the appropriate Manager, Executive Director and or CLT member when/if these occur.

### **Grant Preparation & Submission**

- Central email account is available for departments to use for grant communication/correspondence, and this email account is managed/monitored by the asset coordinators. There are multiple asset management team members which monitor this account enabling continuity and availability of email response and timeliness.
- Grant submission related material is maintained as central repository via shared drive managed by asset coordinators which is leveraged for completion of similar pursuit applications.
- An asset coordinator consults the SMAP and other applicable stakeholders, including department managers and senior leadership team members, via weekly meetings and email communication. These meetings also enable the centralized grant function to communicate updates to the functions/boards managing their own grants.
- Subsequent to the initial screening of the grant document/guideline, the asset coordinator contacts the grant provider to obtain clarification on the information in the grant guidelines or on the application form as required. Subsequently, a detailed analysis is performed over the critical components of the grant application by various parties, ranging from departments leads and corporate leadership to third party consultants and arm's length partners.

## Summary of findings

Finding #	Topic	Rating <sup>1</sup>			Management Action Plan
		Significant	Moderate	Low	
<b>Pursuit of Grant Funding</b>					
1	Enhance status tracking and update process flow chart (Design Effectiveness)	-	-	X	An expanded category for status of a grant has been completed and implemented. Flowcharts and process documents have been updated.  Completed
<b>Grant Funding Identification &amp; Oversight</b>					
2	Continue to monitor resource needs and benefits of the centralized grant function (Design Effectiveness)	-	X	-	Administration will bring forward a 2019 operational budget issue which speaks to this matter and requests funding for 2 positions to be able to continue the centralized grant program. Q2 - 2019.
<b>Grant Preparation &amp; Submission</b>					
	No findings noted	-	-	-	
<b>Total</b>		<b>0</b>	<b>1</b>	<b>1</b>	

## Summary of significant findings

No significant finding were identified during the course of our review.

## Management comments

Management concurs with the report and both observations. Centralizing this program over the past two years within the Finance Department has resulted in significant changes and development of processes, practices, tracking and reporting which were not previously in place. Continuing to enhance the program to improve efficiency and tracking to allow the City to optimize our grant opportunities continues to be our goal and the suggested observations from PwC are welcomed. As is noted below, the first recommendation has been fully actioned and implemented, and management has taken appropriate steps to address the second recommendation in conjunction with the City’s 2019 budget deliberations.

Name: Melissa Osborne  
 Title: Senior Manager Asset Planning  
 Date: December 18, 2018

<sup>1</sup> See Appendix A for Basis of Finding Rating and Report Classification



# Detailed observations

<b>1. Enhance status tracking and update process flow chart (Design Effectiveness)</b>		<b>Overall Rating:</b> Low	
<b>Impact:</b>	Low	<b>Likelihood:</b>	Likely
<p><b>Observation:</b>                  This purpose of the grant site (implemented in June 2018) is to monitor status of ongoing active grants and, to send reminders to project leads ahead of deadlines to follow up on project progress.</p> <p>The current status names/categories configured in the Grant Site include Awarded, Denied, Application in Progress and Grant Complete. However, there may be other fields/attributes worth documenting such as:</p> <ul style="list-style-type: none"> <li>a) Other status categories in the workflow described with internal process flows, if added, can enable more timely and accurate status reporting. Additional categories can also assist in measuring process performance in terms of timely completion of each stage.</li> <li>b) Time/days available (i.e. opening date to submission date) to prepare the submission are not tracked (as the opening date is not captured within the Grant site). Such information can be useful for allocating/assigning work among the asset coordinators.</li> <li>c) A field to check once assessment of eligibility is performed to enable a periodic review against a comprehensive list provided by MGIS (since subscription started in June 2018) to independently confirm/verify whether consideration is given on all items on the list is not performed.</li> </ul> <p>As per the decision tree for the grant identification process, once a grant funding opportunity is identified, management considers if the City is eligible to apply for the grant. In addition, if the City is not eligible to apply for a grant, the grant details should be added to a grant tracking sheet. We observed an instance where staff identified and logged a subset/filtered list of only those applicable to the City of Windsor. When the City receives a notification of a grant, one of the asset coordinators logs in to review the grant details (online or verbal review) and if the City is eligible to apply.</p>			
<p><b>Implication:</b>                  Inaccurate or untimely reporting of grant status to leadership due to manual tracking. Actual status and recorded status may not align. Without a completeness check control, eligible opportunities may not be identified or eligibility assessment may be incomplete.</p>			
<p><b>Possible root cause:</b>                  The purpose of the system is to provide a high level understanding of the grant, however the details remain with the minutes, application and appropriate DOA or Council Report. If the City of Windsor does not meet that criteria then there is no further tracking/logging of the grant.</p>			
<p><b>Recommendation:</b>                  Management should:</p> <ul style="list-style-type: none"> <li>a) Investigate systems update possibilities for adding a field for grant opening date, aging analysis and enhanced categorization (cancelled, under consideration, ineligible, under review, submitted, complete, on-hold, etc.). Each stage/status should be explained in the process narrative/ internal decision tree document.</li> <li>b) Leverage aging information to track progress and processing time management.</li> <li>c) Enhance documentation of eligibility assessment for purposes of a completeness check mechanism, performed periodically.</li> <li>d) Update the process flowchart to reflect the current process for logging grant opportunity details.</li> </ul>			

<b>Management Action Plan</b>		
<p><b>Action Plan:</b> An expanded category for status of a grant has been completed and implemented. Changes have also been applied to the various grants to reflect the appropriate status. Date when we were notified of a grant has also started to be populated as of December 1, 2018. Grants prior to that date are left blank unless the date was already noted. The process of reviewing grant opportunities has also been updated in the flowchart and corresponding documents to reflect that process, including documentation of the results of the review. Confirmation of these changes has been provided to PwC in the form of: updated flowchart; update process document; screenshot of new grant status options and updated download of grant file to see the use of the status as well as date we were made aware of a grant, noting this started December 1, 2018</p>	<p><b>Responsible Party:</b></p>	<p>Senior Manager, Asset Planning</p>
	<p><b>Due Date:</b></p>	<p>Complete</p>

<b>2. Continue to monitor resource needs and benefits of the centralized grant function (Design Effectiveness)</b>			<b>Overall Rating:</b> Moderate
<b>Impact:</b>	Medium	<b>Likelihood:</b>	Likely
<p><b>Observation:</b> Currently, three asset coordinators assist with grant submission, out of which two are temporary personnel and are funded through an operational fund. As per management, the budget to fund the temporary staff is almost exhausted. This may lead to resource constraints and disruption in grant process.</p> <p>Currently the one full-time asset coordinator is funded through Capital for which capacity is quickly becoming exhausted for several initiatives that require asset condition assessments, data gathering and or software implementation knowledge.</p> <p>One of the temporary positions was for two years and focused on Grant Applications as per the 2017 operating budget approvals.</p> <p>There continues to be significant work on grants requiring full-time resources to manage the applications in a structured, consistent and timely manner.</p>			
<p><b>Implication:</b> Resources to perform eligibility assessment, manage centralized email account and database, identify and report opportunities, prepare and submit grants and the correspondence with providers may not be available/sustained leading to potential inconsistencies in a decentralized process or potential loss/delay of funding.</p>			
<p><b>Possible root cause:</b> Those involved in identifying opportunities, assessing eligibility, standardizing and centralizing the preparation and submission process have past experience/knowledge. Management’s focus is toward maintaining a centralized function for purposes of having clear roles, consistency and attain value for the city with more pursuits following the structured process.</p>			
<p><b>Recommendation:</b> Management should continue to take necessary actions and request budget approvals (for 2019) to fund the two temporary staff or make efforts to obtain approvals for converting their temporary role into permanent. Alternative plans and impacts assessments should be prepared in advance in the circumstance the budget request is denied (the impact of now having resources focused on these grants should be part of the inputs to the budget request).</p>			
<b>Management Action Plan</b>			
<b>Action Plan:</b> Administration will bring forward a 2019 operational budget issue which speaks to this matter and requests funding for two positions to be able to continue the centralized grant program.	<b>Responsible Party:</b>	Senior Manager Asset Planning	
	<b>Due Date:</b>	Q2 2019	

# Considerations for improvement

## 1. Continue to perform lessons learned meetings and define protocols for collating inputs from available internal/external sources of feedback

### Observation:

During the annual process review meeting staff provide/obtain input or consultation concerning the processes associated with the grants awarded, with other organizations, municipalities and grant providers in an effort to improve processes and efficiencies.

An annual process meeting is facilitated by asset coordinators with those involved in grant process over the prior year. In this meeting, recommended improvements and lessons learned are discussed. Further, revisions or changes are identified, where applicable, to existing Delegation of Authority, Council Report or other significant Corporate documents, frameworks and processes.

It was noted that a mechanism to follow-up on such improvement ideas and lessons learned is not defined/documented.

### Considerations:

Management should establish procedures for intended actions, defined as part of lessons learned meetings and track the progress accordingly.

Management should consider the cost/benefits of extending invitations to the annual process review meeting to management and staff involved over the past years or significantly impacted by the grants.

Pre-lessons learned meetings could be held between the asset coordinators through which potential common themes maybe identified and shared centrally or operational grant participants. This may help in identifying process updates and can be communicated formally to department representatives during the annual process meeting.

# Appendix A: Basis of findings rating and report classification

## Findings rating matrix

Audit Findings Rating		Impact		
		Low	Medium	High
Likelihood	Highly Likely	Moderate	Significant	Significant
	Likely	Low	Moderate	Significant
	Unlikely	Low	Low	Moderate

## Likelihood consideration

Rating	Description
Highly Likely	<ul style="list-style-type: none"> <li>History of regular occurrence of the event.</li> <li>The event is expected to occur in most circumstances.</li> </ul>
Likely	<ul style="list-style-type: none"> <li>History of occasional occurrence of the event.</li> <li>The event could occur at some time.</li> </ul>
Unlikely	<ul style="list-style-type: none"> <li>History of no or seldom occurrence of the event.</li> <li>The event may occur only in exceptional circumstances.</li> </ul>

## Impact consideration

Rating	Basis	Description
HIGH	Dollar Value <sup>2</sup>	Financial impact likely to exceed \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Significant control weaknesses, which would lead to financial or fraud loss.</p> <p><b>An issue that requires a significant amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>Failure to meet key strategic objectives/major impact on strategy and objectives.</li> <li>Loss of ability to sustain ongoing operations:                             <ul style="list-style-type: none"> <li>- Loss of key competitive advantage/opportunity</li> <li>- Loss of supply of key process inputs</li> </ul> </li> <li>A major reputational sensitivity e.g., Market share, earnings per share, credibility with stakeholders and brand name/reputation building.</li> </ul> <p><b>Legal/Regulatory</b> Large scale action, major breach of legislation with very significant financial or reputational consequences.</p>

<sup>2</sup> Dollar value amounts are agreed with the client prior to execution of fieldwork.

Rating	Basis	Description
MEDIUM	Dollar Value	Financial impact likely to be between \$75,000 to \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures.</p> <p><b>An issue that requires some amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>· No material or moderate impact on strategy and objectives.</li> <li>· Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives</li> <li>· Moderate reputational sensitivity.</li> </ul> <p><b>Legal/Regulatory</b> Regulatory breach with material financial consequences including fines.</p>
LOW	Dollar Value	Financial impact likely to be less than \$75,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies.</p> <p><b>An issue that requires no or minimal amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>· Minimal impact on strategy</li> <li>· Disruption to normal operations with no effect on achievement of corporate strategy and objectives</li> <li>· Minimal reputational sensitivity.</li> </ul> <p><b>Legal/Regulatory</b> Regulatory breach with minimal consequences.</p>

## Audit report classification

Report Classification	The internal audit identified one or more of the following:
<b>Cause for considerable concern</b>	<ul style="list-style-type: none"> <li>• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Material losses have occurred as a result of control environment deficiencies.</li> <li>• Instances of fraud or significant contravention of corporate policy detected.</li> <li>• No action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
<b>Cause for concern</b>	<ul style="list-style-type: none"> <li>• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• A number of significant controls identified as not operating for which sufficient mitigating backup controls could not be identified.</li> <li>• Losses have occurred as a result of control environment deficiencies.</li> <li>• Little action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
<b>No major concerns noted</b>	<ul style="list-style-type: none"> <li>• Control design improvements identified, however, the risk of loss is immaterial.</li> <li>• Isolated or “one-off” significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Some previous significant audit action items have not been resolved on a timely basis.</li> </ul>
<b>No or limited scope for improvement</b>	<ul style="list-style-type: none"> <li>• No control design improvements identified.</li> <li>• Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial.</li> <li>• All previous significant audit action items have been closed.</li> </ul>

# ***Appendix B: Limitations and responsibilities***

## ***Limitations inherent to the Internal Auditor's work***

### ***Internal control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### ***Future periods***

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.





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