

Consulting Expenses – Agencies, Boards and Commissions

Date:	December 4, 2006
To:	Budget Committee
From:	City Manager
Wards:	Not Applicable
Reference Number:	

SUMMARY

This report examines the controls that are in place to verify consulting expenses incurred by agencies, boards and commissions.

Based on our review of the policies, processes and procedures that are currently in place within the Agencies, Boards and Commissions with respect to consulting expenses, we have determined that controls are adequate and provide reasonable assurance that the amounts reported are accurate and complete.

Given that the City's ABC's are independent and autonomous organizations, and are governed by and accountable to a separate board or commission, any oversight of consulting expenses incurred by ABC's is the sole responsibility of the organization.

FINANCIAL IMPACT

There are no financial implications contained in this staff report.

DECISION HISTORY

The Treasurer in his report (May 9, 2006) to Budget Advisory Committee entitled “2005 Expenditures for Consulting Services – City Divisions and Major Agencies, Boards and Commissions” indicated that,

“Accounting Services staff have verified and reconciled the actual and budget amounts, reported by the Divisions, to the General Ledger. For ABC’s, the amount reported was confirmed by the specific ABC; staff did not independently verify the amount or the classification.”

City Council at its meeting on June 27, 28 and 29, 2006, in considering this report from the Treasurer, adopted the following recommendation:

“the City Manager to report to the Budget Advisory Committee on a proposed mechanism to verify expenses for consulting services incurred by agencies, boards and commissions.”

ISSUE BACKGROUND

This report responds to a request from Council on a process to validate the accuracy and completeness of consulting expenses reported by agencies, boards and commissions.

COMMENTS

Reporting of Consulting Expenses:

The City Treasurer reports annually to Council on the expenditure for consulting services incurred by City Divisions and major Agencies, Boards and Commissions (ABC’s). In coordinating the preparation of this report, the City’s Accounting Services Division issues a memo at the end of each year, requesting City divisions and ABC’s to provide details pertaining to consulting expenses in their respective areas.

The Accounting Services Division verifies and reconciles to the General Ledger, the amounts reported by City Divisions. Accounting Services is not however, in a position to ascertain the completeness and accuracy of the information reported/provided by the ABC’s, as the City does not have access to or control over the records/activities in these organizations.

Governance:

The City's Agencies, Boards and Commissions are independent and autonomous organizations, with their own administrative and support functions/structure (i.e., accounting, purchasing, human resources, etc.) and each maintaining their own financial information systems. While these organizations may receive funding from the City, they are governed by and accountable to a separate board or commission and operate under their own policies, procedures and by-laws.

Controls in ABC's:

Based on discussions with the City's major ABC's (i.e., Toronto Police Services; TTC; Toronto Zoo; Library Board; and Exhibition Place) and review of their policies, procedures and processes with respect to consulting expenses, controls are in place which provide reasonable assurance that the amounts reported to the City are accurate and complete. Specifically,

- The Accounting/Finance units of the respective ABC organizations verify and reconcile the amounts reported to the City. The consulting expenses submitted to the City are certified by a senior Finance official within the ABC as to the accuracy and completeness of the information. In certifying/validating the amounts, the consulting expenses are analyzed and reconciled to the ABC's general ledger, financial information system and capital and operating budgets.
- The Finance/Accounting units in the ABC's that process and report on the consulting expenses are independent of the operating divisions that incur the expenses.
- Procurement policies and procedures within the ABC's specify the requirements pertaining to the requisitioning, approval and payment of purchased goods and services.
- Expenditures above an established limit/threshold require the approval of the ABC's board or commission.
- The Toronto Police Services and the Toronto Transit Commission, which account for approximately two thirds (67%) of the total consulting expenses incurred by ABC's, have their own Internal Audit functions. The Internal Audit functions in these organizations provide assurance through their periodic reviews that policies and procedures are being complied with.
- ABC's are subject to an annual external audit providing assurance that their financial statements are fairly presented and free of material misstatement.

Control weaknesses, if any, are reported annually by the external auditor in their management letter.

CONTACT

Ruvani Shaubel
Director, Internal Audit
Telephone: (416) 392-8034
Email: rshaubel@toronto.ca

Gifford Chu
Manager, Internal Audit
Telephone: (416) 397-0301
Email: gchu@toronto.ca

SIGNATURE

Shirley Hoy, City Manager