



**STAFF REPORT
ACTION REQUIRED**
with Confidential Attachments

**RESULTS OF REQUEST FOR PROPOSAL 9171-09-7137
EXTERNAL AUDIT SERVICES FOR THE CITY OF
TORONTO AND ITS MAJOR AGENCIES, BOARDS, AND
COMMISSIONS**

Date:	January 25, 2010
To:	Audit Committee
From:	Auditor General
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards and commissions.
Reference Number:	

SUMMARY

The purpose of this report is to advise on the results of Request for Proposal (RFP) 9171-09-7137 for external audit services to perform the financial statement audits for the City of Toronto and its major agencies, boards, and commissions for the years ending 2010 to 2014 inclusive and to request authority to enter into an agreement with the recommended proponent.

RECOMMENDATIONS

The Auditor General recommends that:

1. Council grant authority to enter into an agreement with PriceWaterhouseCoopers LLP for external audit services for fiscal years 2010 through 2014 inclusive for \$4,085,000 (net of all applicable taxes) as per the fee schedule outlined in Confidential Attachment 2 and under terms satisfactory to the Auditor General and the City Solicitor.

2. Council authorize the public release of the confidential information in Attachment 2 upon Council's approval of this contract award to PriceWaterhouseCoopers LLP and PriceWaterhouseCoopers LLP signing the contract.
3. Council direct that the confidential information in Attachment 3 remain confidential.
4. Council authorize and direct the appropriate City officials to take the necessary action to give effect thereto.

Financial Impact

The total contract award identified in this report is \$4,156,896 including HST.

The total annual audit fees for the programs, ABCs and Local Boards (entities) listed in Attachment 1 for the years 2010 to 2014 inclusive are shown in the table below.

The 2009 audit fees were \$1,230,140 (net of all applicable taxes). The total amount for audit fees for 2010 is \$750,000 (net of all applicable taxes), which represents a 39 per cent decrease from 2009.

2010	2011	2012	2013	2014	TOTAL
\$ 763,200	\$ 763,200	\$ 819,168	\$ 875,136	\$ 936,192	\$ 4,156,896

Various agencies, boards, commissions and programs are responsible for the payment of audit fees. Funding is available in the 2010 Recommended Operating Budget of the various entities.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council approved a five-year contract (2003-2007) with Ernst & Young LLP on June 24, 2003.

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030624/au2rpt/cl004.pdf>

City Council on March 3, 4 and 5, 2008, authorized a two-year contract extension with Ernst & Young LLP for external audit services for fiscal years 2008 and 2009.

<http://www.toronto.ca/legdocs/mmis/2008/au/reports/2008-02-22-au06-cr.pdf>

The two-year contract extension for external audit services with Ernst & Young LLP expires with the completion of the audit for the year ended December 31, 2009.

ISSUE BACKGROUND

Under Section 139 of the City of Toronto Act, 2006, the City is required to appoint an auditor licensed under the Public Accounting Act 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards and expressing an opinion on the financial statements of these entities based on the audit. In addition, the Act requires that the auditor shall not be a City employee or an employee of a local board of the City. In creating the Auditor General's Office, City Council assigned the Auditor General the responsibility for managing the external audit contracts.

COMMENTS

The RFP was available for download on the City's Internet website. In addition, the 10 largest Canadian public accounting firms were notified of the posting. This resulted in a total of five submissions being received on December 1, 2009 from the following firms:

- Deloitte & Touche LLP
- Ernst & Young LLP
- Grant Thornton LLP
- KPMG LLP
- PriceWaterhouseCoopers LLP

The selection committee comprised of one representative from the Auditor General's Office, one from the Accounting Services Division and one from the Toronto Transit Commission. The evaluation criteria used were the proponent's profile, experience and qualifications, staff team and resources, audit approach, work plan, and deliverables (50 per cent weighting) and cost of services (50 per cent weighting).

The scores for the five proponents ranged from 81.54 per cent to 92.33 per cent.

On completion of the evaluation process, the proposal from PriceWaterhouseCoopers LLP was ranked first with the highest overall point score and was the lowest quotation received for the fees to be charged for each of the five years, as outlined in Confidential Attachment 3. The selection committee concluded that the proposal submitted by PriceWaterhouseCoopers LLP satisfied the overall RFP requirements and demonstrated an appropriate level of effort for the proposed work.

In accordance with Council approved policy, proponents' scores, financial comparison and staff analysis of the evaluation results can be provided to Councillors in an in camera presentation if requested by Committee members.

The Fair Wage Office has reported that the recommended firm has indicated that it reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

Jeff Griffiths
Auditor General

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ATTACHMENTS

Attachment 1 – Request for Proposal 9171-09-7137, Listing of Entities

Attachment 2 – Confidential Information:

Fee schedule submitted by PriceWaterhouseCoopers LLP for each entity for the
Years 2010 to 2014

Attachment 3 – Confidential Information:

Total Annual Audit Fees Submitted by each Proponent for the Years 2010 to 2014

Request for Proposal 9171-09-7137

Listing of Entities

City of Toronto

1. Consolidated Financial Statements of the City of Toronto
2. Consolidated Financial Statements of the City of Toronto Trust Funds
3. City of Toronto Sinking Funds
4. City of Toronto – Report on Compliance with Investment Policy
5. City of Toronto – Report on Compliance with Agreement for the Transfer of Federal Gas Tax Revenue and Annual Expenditure Report
6. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims, and expenditures incurred under this Agreement.
7. Long-Term Care Homes and Services – Residents’ Interest Trust Fund
8. Long-Term Care Homes – *Annual Reconciliation Reports (10 as listed below)*
 - a. Bendale Acres
 - b. Carefree Lodge
 - c. Castlevue Wychwood Towers
 - d. Cummer Lodge
 - e. Fudger House
 - f. Kipling Acres
 - g. Lakeshore Lodge
 - h. Seven Oaks
 - i. True Davidson Acres
 - j. Wesburn Manor
9. The Toronto Track and Field Centre – Statement of Operating Costs

(Ontario Business Corporation Act) OBCA Corporations

10. Toronto Community Housing Corporation
 - a. Toronto Community Housing Corporation (TCHC)
 - b. Housing Service Inc. (HSI)
11. Toronto Economic Development Corporation (TEDCO)

Local Boards

12. Toronto Parking Authority
 - a. Toronto Parking Authority
 - b. Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Operations
13. Toronto Police Services Board Special Fund – *Section 9110 Report on Agreed Upon Procedures regarding internal control over financial reporting only*
14. Toronto Public Health - *Specified procedures in connection with various Settlements of Toronto Public Health programs (7 as listed below)*
 - a. Toronto Board of Health Cost Shared Programs
 - b. Settlement of AIDS Bureau Program and Statement of Revenue & Expenditures – Toronto Public Health – AIDS Bureau Program
 - c. Blind Low Vision
 - d. Healthy Babies Healthy Children Program

- e. Infant Hearing Program
 - f. Preschool Speech and Language Program
 - g. Smoke Free Ontario (if applicable)
- 15. Toronto Public Library Board
 - 16. Toronto Public Library Foundation
 - 17. Consolidated Financial Statements of the Board of Governors of Exhibition Place
 - 18. Canadian National Exhibition Association
 - 19. Canadian National Exhibition Foundation
 - 20. The Sony Centre for the Performing Arts
 - 21. St. Lawrence Centre for the Arts
 - 22. Toronto Centre for the Arts
 - 23. Board of Management of the Toronto Zoo

Transit

- 24. Consolidated Financial Statements for the Toronto Transit Commission
- 25. Toronto Coach Terminal Inc.
- 26. TTC Insurance Company Limited

Financial Trusts – Pension Bodies

- 27. The Pension Fund of the Corporation of the City of York Employee Pension Plan
- 28. The Fund of the Metropolitan Toronto Pension Plan
- 29. The Fund of the Metropolitan Toronto Police Benefit Fund
- 30. The Fund of the Toronto Civic Employees' Pension and Benefit Fund
- 31. The Fund of the Toronto Fire Department Superannuation and Benefit Fund
- 32. Toronto Transit Commission Pension Fund Society
- 33. Toronto Transit Commission Sick Benefit Association