



STAFF REPORT ACTION REQUIRED

Appointment of an External Auditor for the Annual Compliance Audit of the Accountability Offices

Date:	May 10, 2011
To:	City Council
From:	City Manager
Wards:	All Wards
Reference Number:	

SUMMARY

This report seeks Council appointment of an external auditor to conduct an annual compliance audit of the offices for the City's four Accountability Officers – the Auditor General, the Integrity Commissioner, the Lobbyist Registrar, and the Ombudsman – as required by Section 3-8B of the Toronto Municipal Code. This report also seeks Council authority for the City Manager to execute the contract with the appointed external auditor

RECOMMENDATIONS

The City Manager recommends that:

1. Council appoint Hilborn Ellis Grant LLP as the external auditor to conduct an annual compliance audit for the offices of each of the City's Accountability Officers for the year 2010, with the option to retain the services for audits for years 2011, 2012 and 2013, at the City's discretion.
2. Council authorize the City Manager to award a contract to Hilborn Ellis Grant LLP, being the lowest bidder meeting the terms and conditions set forth in Request for Quotations No. 9171-11-7117 issued by the Purchasing and Materials Management Division (PMMD) on April 14, 2011 -- to carry out the annual compliance audit for the Accountability Offices for the year 2010, with the option to retain the services for audits for years 2011, 2012 and 2013, at the City's discretion.

Financial Impact

The compliance audit of all four accountability offices for the year 2010 will be \$ 12,000 excluding HST and for all four years -- 2010, 2011, 2012, and 2013 -- will be \$48,000 excluding HST. Funding is available in the City's Non-Program Account. Should the option to renew be accepted, funding will be provided in the 2012-2014 Operating Budgets from Non-Program.

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

Equity Impact Statement

This report is limited to recommendations regarding the appointment of an auditor. Therefore, an equity impact analysis is not applicable.

DECISION HISTORY

The City of Toronto has four Accountability Officers – Auditor General, Integrity Commissioner, Lobbyist Registrar and Ombudsman (the “Accountability Officers”). Each Officer carries out the duties and responsibilities of his or her office in an independent manner and is appointed by and reports to Council.

Council established an Auditor General in 2002 and an Integrity Commissioner in 2004. The Province of Ontario subsequently included a requirement in the *City of Toronto Act, 2006*, to establish a Lobbyist Registry and to establish an Auditor General, an Integrity Commissioner, and an Ombudsman, along with authority to appoint a Lobbyist Registrar. To meet its statutory obligations and round out the City's accountability system, Council established a lobbyist registry and appointed a Lobbyist Registrar in 2007, and appointed an Ombudsman in 2008.

At its meeting on April 29, 2009, Council adopted a comprehensive policy framework for Toronto's Accountability Officers, *A Policy Framework for Toronto's Accountability Officers* (the “Framework”), codified in Chapter 3 of the Toronto Municipal Code. The Framework reinforces both the Accountability Officers' arms-length separation from the City administration and their independent status within the City's governance system.

A Policy Framework for Toronto's Accountability Officers (the “Framework”) and supplementary report can be found respectively at:

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX31.1>) and
(<http://www.toronto.ca/legdocs/mmis/2009/cc/bgrd/backgroundfile-20619.pdf>)

ISSUE BACKGROUND

Section 3-8B of Toronto Municipal Code, Chapter 3, Accountability Officers, requires that "an accountability officer's office shall undergo an annual compliance audit by an external auditor appointed by and reporting to Council." Moreover, the Framework

adopted by Council indicates that “The City Manager’s Office will facilitate the request for proposals process to recommend appointment of an external auditor to City Council.”

PMMD issued Request for Quotations No. 9171-11-7117 on April 14, 2011, and made it available for download on the City’s internet website. The City received a total of six submissions on April 28, 2011, which are summarized in the following table. Hilborn Ellis Grant LLP is the successful bidder, with the lowest cost bid meeting all requirements.

Firm	Year 1 (for the year ended December 31, 2010) (excluding HST)	Option Year 2 (for the year ended December 31, 2011) (excluding HST)	Option Year 3 (for the year ended December 31, 2012) (excluding HST)	Option Year 4 (for the year ended December 31, 2013) (excluding HST)	Total Cost (including optional years) (excluding HST)
Hilborn Ellis Grant LLP	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$48,000.00
Fareed Sheik Professional Corporation	\$18,000.00	\$20,000.00	\$22,000.00	\$24,000.00	\$84,000.00
Robert Gore and Associates Chartered Accountants	\$21,500.00	\$21,500.00	\$21,500.00	\$21,500.00	\$86,000.00
Deloitte & Touche LLP	\$73,000.00	\$76,000.00	\$80,000.00	\$84,000.00	\$313,000.00
Meyers Norris Penny LLP	\$99,800.00	\$99,800.00	\$99,800.00	\$99,800.00	\$399,200.00
Clark & Horner LLP	\$129,000.00	\$135,000.00	\$141,000.00	\$147,000.00	\$552,000.00

COMMENTS

The annual compliance audit for each of the accountability offices is one of several accountability mechanisms back to Council. This audit will enable Council to hold the Accountability Officers responsible for their administration of provided services, their fulfillment of their mandates, and their use of public funds. More specifically, the audit will focus on compliance with the applicable City policies and procedures (*e.g.* Conferences, Seminars, and Business Travel), with financial information (*e.g.* Cost Centre Elements), and with authorities delegated to the Accountability Officers under the Toronto Municipal Code (*e.g.* signing authority). In addition to auditing compliance with City policies, procedures, and delegated authorities, the report for each accountability office will include lists of annual sole source purchasing activity and annual consulting service expenditures. This compliance audit is separate and apart from the inclusion of the accountability offices in the annual attest audit of the entire corporation’s finances, as required by Section 3-8A of the Toronto Municipal Act.

Once appointed, the external auditor will carry out the annual compliance audits for the four accountability offices for the years 2010, 2011, 2012, and 2013, subject to the City's renewal option set forth in the contract. The external auditor will report the results of the audit of the Auditor General through the Audit Committee to Council. As with established practice, the results of the audits of the Integrity Commissioner, Lobbyist Registrar and Ombudsman will be transmitted directly to Council.

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SIGNATURE

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