



## STAFF REPORT ACTION REQUIRED

### AWARD - REQUEST FOR PROPOSAL 9171-12-7072 EXTERNAL AUDIT SERVICES FOR CITY ARENAS, COMMUNITY CENTRES AND MISCELLANEOUS ENTITIES

<b>Date:</b>	October 9, 2012
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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The purpose of this report is to advise on the results of Request for Proposal (RFP) 9171-12-7072 for external audit services to perform the financial statement audits for City Arenas, Community Centres and Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square Board of Management, the Toronto Atmospheric Fund and the Clean Air Partnership) for the years 2013 to 2017 inclusive and to request authority to enter into an agreement with the recommended proponent.

#### RECOMMENDATIONS

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**The Auditor General and the Director of Purchasing and Materials Management recommend that:**

1. Audit Committee grant authority to the Auditor General to negotiate and enter into an agreement in the amount of \$595,628.17 net of HST with Welch LLP being the proponent that attained the mandatory minimum technical score and provided the lowest price, for external audit services to perform the financial statement audits for City Arenas, Community Centres and Miscellaneous Entities for the years 2013 to 2017 inclusive, on the terms and conditions set out in RFP 9171-12-7072 and in a form satisfactory to the City Solicitor.

## Financial Impact

The total contract award identified in this report is \$673,059.83, including all applicable taxes and charges. The cost to the City net of HST recoveries is \$595,628.17. The total annual audit fees for the three categories of entities (City Arenas, Community Centres and Miscellaneous Entities) for the years 2013 to 2017 inclusive are shown in the table below. The cost of audit fees for 2013 is \$115,605.00, representing a 18% decrease from the 2012 audit fees. Audit fees will increase by an average of approximately \$64 per year per entity for the years 2013 to 2017, representing annual increases of approximately 1.5%.

City Arenas (net of HST)	Community Centres (net of HST)	Miscellaneous Entities (net of HST)	Total (net of HST)
\$198,233.61	\$283,323.32	\$114,071.24	\$595,628.17

Each entity is responsible for providing for these fees in their respective budgets.

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

## 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 bodies 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.

The five-year contract for external audit services with Grant Thornton LLP for the entities listed in Attachment 1 expires with the completion of the audit for the year ended December 31, 2012.

## COMMENTS

The Purchasing and Materials Management Division on behalf of the Auditor General's Office issued RFP 9171-12-7072 on July 17, 2012 and it closed on August 24, 2012. Two (2) addenda were issued for this call. The RFP was available for download on the City's Internet website. In addition, fifty-seven (57) firms were notified of the posting. This resulted in a total of five (5) submissions being received on August 24, 2012 from the following firms:

1. BDO Canada LLP
2. Collins Barrow Toronto LLP
3. Grant Thornton LLP
4. Robert K Chan & Company, Chartered Accountant
5. Welch LLP

Two of the submissions were determined to be in non compliance with the terms of the request for proposal and were disqualified from the process.

The selection committee was comprised of one representative from the Auditor General's Office, one from the Accounting Services Division, one from the Social Development, Finance and Administration Division and one from a Community Centre. A two envelope system was used with bid amounts not disclosed to the evaluation team. The evaluation criteria used were the experience and qualifications of the firm, staff team and resources and audit approach. The average scores for the three proponents ranged from 59.5% to 89.5%. Proponents scoring 75% or higher were deemed qualified proponents. Two of the proponents scored 75% or higher.

Bid envelopes were then opened for the qualified proponents. Proponents were permitted to bid on one, and up to three, categories of audits. The combination of bid(s) providing the lowest overall price were to be selected as auditors for the years 2013 to 2017 inclusive.

On reviewing the bids from the two qualified proponents, it was determined that awarding the audits for all three categories to Welch LLP provided the lowest cost to the City.

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**

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Jeff Griffiths  
Auditor General  
Auditor General's Office

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Michael Pacholok  
Director  
Purchasing and Materials Management

12-AAS-08

## **ATTACHMENTS**

Attachment 1: Listing of Entities

**Request for Proposal 9171-12-7072**

**Listing of Entities**

City Arenas

1. Forest Hill Memorial Arena
2. George Bell Arena
3. Leaside Memorial Community Gardens
4. McCormick Playground Arena
5. Moss Park Arena
6. North Toronto Memorial Arena
7. Ted Reeve Community Arena
8. William H. Bolton Arena

Community Centres

1. 519 Church Street Community Centre
2. Applegrove Community Complex
3. Cecil Street Community Centre
4. Central Eglinton Community Centre
5. Community Centre 55
6. Eastview Neighbourhood Community Centre
7. Harbourfront Community Centre
8. Ralph Thornton Community Centre
9. Scadding Court Community Centre
10. Swansea Town Hall Community Centre

Miscellaneous Entities

1. Clean Air Partnership
2. Heritage Toronto
3. Toronto Atmospheric Fund
4. Yonge-Dundas Square Board of Management