Appointment of an External Auditor for the Annual Compliance Audit of the Accountability Offices – 2014 to 2018

Date: August 14, 2014

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, for a five-year period for calendar years ending December 31st for 2014, 2015, 2016, 2017 and 2018, as required by Section 3-8B of the Toronto Municipal Code, Chapter 3, Accountability Officers. The contract with the current external auditor, Hilborn LLP, expires in 2014. 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. City Council appoint Robert Gore and Associates as the external auditor to conduct an annual compliance audit for the offices of each of the City’s Accountability Officers for a five-year period for calendar years ending December 31st for 2014, 2015, 2016, 2017 and 2018.

2. City Council authorize the City Manager to award a contract to Robert Gore and Associates, being the lowest bidder meeting the terms and conditions set forth in Request for Quotation No. 9171-14-7105 issued by the Purchasing and Materials Management Division (PMMD) on June 6, 2014, to carry out the annual compliance audit for the offices of each of the City’s Accountability Officer for a five-year period for calendar years ending December 31st for 2014, 2015, 2016, 2017 and 2018.
Financial Impact

The annual compliance audit for the offices of each of the City’s four Accountability Officers for fiscal years ending December 31st for 2014, 2015, 2016, 2017 and 2018 will be $59,662 excluding HST for all five years. Funding will be provided in the 2015, 2016, 2017, 2018, and 2019 Operating Budgets from the City’s Non-Program Account.

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

DECISION HISTORY

A Policy Framework for Toronto's Accountability Officers

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 (EX31.1), 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, and includes the requirement of an annual external compliance audit for the offices of each Accountability Officer.

A Policy Framework for Toronto's Accountability Officers and supplementary report can be found respectively at:  
http://app.toronto.ca/tmmis/viewAgendaltemHistory.do?item=2009.EX31.1 and  

Toronto Municipal Code, Chapter 3, Accountability Officers can be found at:  
http://www.toronto.ca/legdocs/municode/1184_003.pdf

City Council Appointment of an External Auditor for 2010 – 2013

At its meeting on May 17, 18, and 19, 2011, City Council considered the report entitled Appointment of an External Auditor for the Annual Compliance Audit of the Accountability Offices (CC8.3) and approved the appointment of an external auditor, Hilborn LLP, to carry out the annual compliance audit for the offices of each Accountability Officer for the year 2010, with the option to retain the services for audits for years 2011, 2012 and 2013, at the City’s discretion.  
ISSUE BACKGROUND

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

City 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.

Section 3-8B of Toronto Municipal Code, Chapter 3, Accountability Officers, requires that the office of each Accountability Officer 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.

The contract with the current external auditor, Hilborn LLP, expires in 2014 and therefore it is necessary for City Council to appoint an external auditor to undertake the annual compliance audit of the offices of each Accountability Officer for a five-year period, starting in 2015, for calendar years ending December 31st for 2014, 2015, 2016, 2017 and 2018. PMMD issued Request for Quotation No. 9171-14-7105 on June 6, 2014 and made available for download on the City’s internet website. The closing date for the submission was June 20, 2014. Five (5) firms downloaded the document from the PMMD website. Two (2) addenda were issued. The City received a total of five (5) submissions, which are summarized in the table below. Robert Gore and Associates is the successful bidder, with the lowest cost bid meeting all requirements.

Table 1: Summary of Responses to Request for Quotation

<table>
<thead>
<tr>
<th>Firm</th>
<th>Year 1 2014</th>
<th>Year 2 2015</th>
<th>Year 3 2016</th>
<th>Year 4 2017</th>
<th>Year 5 2018</th>
<th>5 Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Gore and Associates</td>
<td>$11,465</td>
<td>$11,694</td>
<td>$11,928</td>
<td>$12,166</td>
<td>$12,409</td>
<td>$59,662</td>
</tr>
<tr>
<td>Hilborn LLP</td>
<td>$12,500</td>
<td>$12,500</td>
<td>$13,500</td>
<td>$13,500</td>
<td>$13,500</td>
<td>$66,500</td>
</tr>
<tr>
<td>Fareed Sheik Professional Corporation</td>
<td>$16,228</td>
<td>$17,851</td>
<td>$19,636</td>
<td>$21,600</td>
<td>$23,760</td>
<td>$99,075</td>
</tr>
<tr>
<td>MNP LLP</td>
<td>$55,000</td>
<td>$56,000</td>
<td>$57,000</td>
<td>$58,000</td>
<td>$59,000</td>
<td>$285,000</td>
</tr>
<tr>
<td>BDO Canada LLP</td>
<td>$80,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

Note: Costs identified above exclude HST
COMMENTS

The annual compliance audit for the offices of each of the City’s Accountability Officers enables Council to hold the Accountability Officers responsible for the administration of their offices provided services and their use of public funds. More specifically, the external audit focuses on compliance with the applicable City policies and procedures, with financial information, and with authorities delegated to the Accountability Officers under the Toronto Municipal Code. In addition to auditing compliance with City policies, procedures, and delegated authorities, the report for the office of each Accountability Officer includes 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 Toronto Municipal Code, Chapter 3.

Once appointed, the external auditor will carry out the annual compliance audits for the offices of each of the City’s Accountability Officers for a five-year period for calendar years ending December 31st for 2014, 2015, 2016, 2017 and 2018 with work to be completed in years 2015, 2016, 2017, 2018 and 2019. On an annual basis, the external auditor will report the results of the compliance audit of the Auditor General through the Audit Committee to Council and the results of the compliance audits of the Integrity Commissioner, Lobbyist Registrar and Ombudsman will be transmitted directly to Council.

CONTACT

Doug Rollins
Manager, Corporate Issues &
Council Liaison
City Manager’s Office
(416) 392-6693
drollin@toronto.ca

Victor Tryl, P.Eng.
Acting Director
Purchasing and Materials Management
(416) 392-7312
vtryl@toronto.ca

SIGNATURE

_______________________________
Joseph P. Pennachetti
City Manager