



**STAFF REPORT
ACTION REQUIRED**
with Confidential Attachment

**Award of Request for Proposal No. 9171-14-7121 to
PricewaterhouseCoopers LLP for External Audit
Services for the City and Certain of its Agencies and
Corporations**

Date:	February 10, 2015
To:	Audit Committee
From:	Auditor General Director, Purchasing and Materials Management Division
Wards:	All
Reason for Confidential Information:	Reasons for confidentiality 1. This report involves the security of property belonging to the City or one of its agencies and corporations.
Reference Number:	

SUMMARY

The purpose of this report is to advise on the results of Request for Proposal (RFP) No. 9171-14-7121 for an auditor licensed under the Public Accounting Act, 2004 to perform the annual financial statement audits for the years 2015 to 2019 inclusive for the City of Toronto and certain of its agencies and corporations, as well as other attest audits of financial information and to request authority to enter into an agreement with the recommended proponent.

RECOMMENDATIONS

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

1. City Council grant authority to the Auditor General to negotiate and enter into an agreement in the amount of \$3,816,000 net of HST recoveries with PricewaterhouseCoopers LLP being the highest ranked proponent meeting the requirements of the RFP to perform the annual financial statement audits for the years

2015 to 2019 inclusive for the City of Toronto and certain of its agencies and corporations, as well as other attest audits of financial information as described in the RFP, on the terms and conditions set out in RFP 9171-14-7121 and in a form satisfactory to 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.

Financial Impact

The total contract award value for the audits of the City and certain of its agencies and corporations, as identified in Attachment 1, is \$4,237,500 including all applicable taxes and charges (\$3,816,000 net of HST recoveries). The total contract award of \$4,237,500 includes \$1,906,875 (\$1,717,200 net of HST recoveries) to complete audits for the City. The total fixed price for each of the audits set out in RFP 9171-14-7121 is identified in Confidential Attachment 2.

The annual cost of the external audit services for the City and certain of its agencies and corporations is \$847,500 including all applicable taxes and charges (\$763,200 net of HST recoveries). Funding will be included in the Operating Budget of the City and certain of its agencies and corporations for 2015 and each subsequent year for the duration of the contract.

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

DECISION HISTORY

In a report dated January 25, 2010, the Auditor General recommended that authority be granted for a five-year contract for external audit services with PricewaterhouseCoopers LLP. The five-year contract for external audit services of the City and its major agencies and corporations expires with the completion of the audits of the 2014 financial statements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.AU15.3>

A report on the process to obtain external audit services for the City and its major agencies and corporations was received by Audit Committee on June 27, 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.AU16.14>

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. The Act provides that the City's auditor shall not be appointed for a term exceeding five years. 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 Purchasing and Materials Management Division on behalf of the Auditor General's Office issued RFP No. 9171-14-7121 on October 31, 2014 and it closed on December 5, 2014. One (1) addendum was issued for this call. The RFP was available for download on the City's Internet website. In addition, the Purchasing and Materials Management Division notified 198 firms of the posting, including the eight largest accounting firms nationally as well as other small to mid-sized accounting firms. This resulted in a total of two (2) submissions being received from the following firms:

1. Pricewaterhouse Coopers LLP
2. KPMG LLP

The selection committee was comprised of one representative from each of the Auditor General's Office, the City's Accounting Services division, the Toronto Transit Commission, and the Toronto Community Housing Corporation. The RFP included the selection criteria to be used for evaluation. A two-envelope system was used and cost of services amounts were not disclosed to the evaluation team. Proponents scoring 75 per cent or higher were deemed qualified proponents. The technical proposal submissions from both proponents exceeded the minimum technical threshold score and had their cost of services envelopes opened.

On reviewing the cost of services proposed by the two qualified proponents, it was determined that the proposal from PricewaterhouseCoopers LLP ranked first. The proposal submitted by PricewaterhouseCoopers LLP offered the lowest net present value of core pricing over the five-year term of the two proposals meeting the mandatory minimum technical threshold of 75 per cent. The selection committee has concluded that the proposal submitted by PricewaterhouseCoopers LLP met the requirements of the RFP and demonstrated an appropriate level of effort for the proposed audits.

PricewaterhouseCoopers LLP is the current external auditor of the City and certain of its agencies and corporations. To ensure that objectivity and independence is obtained from external audit processes, the City requires the lead audit engagement partner be rotated in circumstances where the incumbent audit firm is the winning proponent. In their proposal, PricewaterhouseCoopers LLP confirmed that they comply with this policy.

PricewaterhouseCoopers LLP have selected another partner to assume the role of lead engagement partner for the City of Toronto.

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

Beverly Romeo-Beehler
Auditor General
Auditor General's Office

Michael Pacholok
Director
Purchasing and Materials Management

ATTACHMENTS

Attachment 1 – Listing of Audits Included in Request for Proposal No. 9171-14-7121

Attachment 2 – Confidential Information:
Breakdown of Contract Value by Audit as Included in Request for Proposal No. 9171-14-7121

Listing of Audits as Included in Request for Proposal No. 9171-14-7121

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 the City of Toronto's Investment Policy
5. 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.
6. Long-Term Care Homes – *Annual Reconciliation Reports (10 as listed below)*
 - a. Bendale Acres
 - b. Carefree Lodge
 - c. Castleview Wychwood Towers
 - d. Cummer Lodge
 - e. Fudger House
 - f. Kipling Acres
 - g. Lakeshore Lodge
 - h. Seven Oaks
 - i. True Davidson Acres
 - j. Wesburn Manor
7. The Toronto Track and Field Centre – Statement of Operating Costs

(Ontario Business Corporation Act) OBCA Corporations

8. Toronto Community Housing Corporation (TCHC)
 - a. Audit of Consolidated Financial Statements of TCHC
 - b. Audit of Financial Statements of Regent Park Energy Inc.
 - c. Audit of Financial Statements of Access Housing Connections Inc.
 - d. Audit of Financial Statements of Innoserv Inc.
 - e. Audit of Financial Statements of Group 1, Group 2, Group 3 and Group 859 of Toronto Community Housing Corporation
 - f. Audit of Financial Statements of Group 4 of Toronto Community Housing Corporation
 - g. Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation
 - h. Audit of Financial Statements of TCHC Issuer Trust
 - i. Quarterly Reviews of Condensed Interim Consolidated Financial Statements of TCHC
 - j. Review of Financial Statements of Regent Park Development Corporation
 - k. Review of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.
 - l. Review of Financial Statements of Toronto Affordable Housing Fund
 - m. Review of Financial Statements of 2001064 Ontario Inc.
 - n. Review of Financial Statements of Alexandra Park Development Corporation

- o. Review of Financial Statements of Allenbury Gardens Development Corporation
 - p. Review of Financial Statements of Railway Lands Development Corporation
 - q. Regent Park Sustainable Community – Report on Compliance with the Loan Agreement Between TCHC and Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund)
 - r. Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation
 - s. Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation
9. Consolidated Financial Statements of Build Toronto Inc.
10. Financial Statements of Invest Toronto Inc.
11. Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company

Local Boards

12. Toronto Parking Authority
- a. Financial Statements of Toronto Parking Authority
 - b. Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Revenue and Expenditures
13. Toronto Police Services Board Special Fund (TPSB Special Fund) – *Section 9110 Report on Agreed Upon Procedures regarding internal control over financial reporting only*
14. Toronto Public Health - *Audits as required by the Ministry of Health and Long Term Care and Ministry of Children and Youth Services in connection with various Settlements of Toronto Public Health programs (7 as listed below)*
- a. Program-Based Grants Annual Reconciliation Report to include:
 - Audited Financial Statements
 - Auditor’s Attestation Report
 - Annual Reconciliation (Certificate of Settlement) Report Forms
 - b. AIDS Bureau Program – Statement of Revenue and Expenditures and Annual Reconciliation Report
 - c. 9,000 Nurses – Healthy Babies Healthy Children Program Settlement Report
 - d. Healthy Babies Healthy Children Program Settlement Report
 - e. Preschool Speech and Language Program Settlement Report
 - f. Infant Hearing Program Settlement Report
 - g. Blind - Low Vision Program Settlement Report
- } Settlement reports to include:
- Settlement Forms
 - Auditor's Questionnaire
 - Audited Financial Statements for the Settlement
15. Toronto Public Library Board
- a. Financial Statements of Toronto Public Library Board
 - b. Toronto Public Library Board – Literacy Basic Skills Program Statement of Revenue and Expenditures
16. Financial Statements of Toronto Public Library Foundation
17. Exhibition Place

- a. Consolidated Financial Statements of the Board of Governors of Exhibition Place
- b. Ricoh Coliseum – Special Audit on Schedule of Expenditures
- 18. Financial Statement of the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts)
- 19. Financial Statements of St. Lawrence Centre for the Arts
- 20. Financial Statements of The North York Performing Arts Centre Corporation (operating as the Toronto Centre for the Arts)
- 21. Financial Statements of the Board of Management of the Toronto Zoo

Transit

- 22. Consolidated Financial Statements of Toronto Transit Commission
- 23. Financial Statement of TTC Insurance Company Limited

Financial Trusts – Pension Bodies

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