

AWARD OF REQUEST FOR PROPOSAL 9171-17-7291 TO WELCH LLP FOR EXTERNAL AUDIT SERVICES FOR CITY ARENAS, COMMUNITY CENTRES AND MISCELLANEOUS ENTITIES

Date: January 24, 2018

To: Audit Committee

From: Auditor General and Chief Purchasing Officer, Purchasing and Materials
Management Division

Wards: All

SUMMARY

The purpose of this report is to advise on the results of Request for Proposal (RFP) 9171-17-7291 for external audits of the annual financial statement audits for the years 2018 to 2022 inclusive for City arenas, community centres and miscellaneous entities (listed in Attachment 1), and to request authority to enter into an agreement with the recommended proponent, Welch LLP.

RECOMMENDATIONS

The Auditor General and the Chief Purchasing Officer, 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 \$747,000 excluding all applicable taxes and charges, \$844,110 including HST and all applicable charges, \$760,147, net of HST recoveries, with Welch LLP, being the proponent that met all the requirements of the Request for Proposal and providing the best overall value, for external audit services to perform the annual financial statement audits for the years ending December 31, 2018 to 2022 inclusive for City arenas, community centres and miscellaneous entities listed in Attachment 1, on the terms and conditions set out in RFP 9171-17-7291 and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total contract award value for the audits of the entities as identified in Attachment 1 is \$844,110 including all applicable taxes and charges (\$760,147 net of HST recoveries). The total contract award value for the new five-year period (2018 through

2022) has increased by 25 per cent from the total contract award value for current five-year period (2013 through 2017).

The total audit fees for the years ending December 31, 2018 to 2022 inclusive, for the three categories of entities (City arenas, community centres and miscellaneous entities) are shown in the table below.

Arenas (net of HST recoveries)	Community Centres (net of HST recoveries)	Miscellaneous Entities (net of HST recoveries)	Total (net of HST recoveries)
\$239,034	\$346,187	\$174,925	\$760,147

The total annual fees for the audits for the year ending December 31, 2018 is \$141,039 (net of HST recoveries). The total annual audit fees will increase annually by approximately four (4) per cent, on average.

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

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

DECISION HISTORY

In a report dated October 9, 2012, the Auditor General recommended that authority be granted for a five-year contract for external audit services with Welch LLP for the entities listed in Attachment 1. The contract expires with the completion of the financial statement audits for the year ended December 31, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.6>

A report on the process to obtain external audits of the annual financial statements for City arenas, community centres, and miscellaneous entities listed in Attachment 1 was received by the Audit Committee on October 27, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.AU10.15>

COMMENTS

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 Purchasing and Materials Management Division on behalf of the Auditor General's Office issued RFP 9171-17-7291 on November 28, 2017. The RFP closed on January 3, 2018. No addenda were 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 56 firms of the posting. A total of two (2) submissions were received in response to the RFP from the following firms:

1. BDO Canada LLP
2. Welch LLP

Both proponents submitted a proposal for external audit services for all three categories of entities (City arenas, community centres and miscellaneous entities).

Both submissions were compliant with the terms of the Request for Proposal.

The evaluation team was comprised of three (3) members: one representative from each of the Auditor General's Office, the City's Accounting Services Division, and the Social Development, Finance and Administration Division.

The RFP included the evaluation criteria to use for selection. A two-envelope system was used and the cost of services amounts were not disclosed to the evaluation team. The evaluation team used the averaging method to determine the technical proposal scores. Proponents scoring 75 per cent or higher were deemed qualified proponents. Both of the proponents passed the mandatory technical submission requirement and exceeded the minimum technical threshold score and had their cost of services envelopes opened.

The RFP stated that of those Proposals meeting the mandatory minimum technical threshold, the Proposal offering the overall lowest price for a specific category will be ranked first (1st). On reviewing the cost of services submissions from the two qualified proponents, it was determined that awarding the audits for all three categories to Welch LLP provided the lowest total net present value cost to the City over the five-year term.

Welch LLP is the current external auditor of the City arenas, community centres, and miscellaneous entities. 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. Welch LLP confirmed that they comply with this requirement.

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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ATTACHMENTS

Attachment 1: Listing of Entities

Attachment 1

Request for Proposal 9171-17-7291

Listing of Entities

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. Ralph Thornton Community Centre
8. Scadding Court Community Centre
9. Swansea Town Hall Community Centre
10. Waterfront Neighbourhood Centre (formerly Harbourfront Community Centre)

Miscellaneous Entities

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