

Appointment of External Auditors by the Compliance Audit Committee

Date: October 25, 2023
To: Compliance Audit Committee
From: City Clerk
Wards: All

SUMMARY

The Municipal Elections Act, 1996 requires the Compliance Audit Committee ("Committee") to appoint an auditor if it grants a compliance audit application requiring an audit of a candidate's election campaign finances. To date, the Committee has granted applications for two candidates in the 2022 municipal election. To comply with statutory requirements, the Committee must appoint external auditors to conduct the compliance audits of these candidates, as well as any other candidates or registered third party advertisers for whom a compliance audit application may be granted during the 2022-2026 term of office.

The Committee previously authorized the City Clerk to manage the procurement process to hire an external auditor when it adopted its Purchasing Policy, and the City Clerk issued a competitive Request for Services Quotation (RFSQ) tender to auditing firms in March 2023. The RFSQ resulted in no proponent submissions and, subsequently, a non-competitive procurement process was used in August 2023 to retain external auditors to conduct compliance audits.

In total, five auditors responded to the non-competitive call and have since entered into agreements with the City of Toronto. Based on these agreements, the City Clerk will assign auditors consisting of William Molson; BDO Canada LLP; Chaplin & Co LLP; Delta Group Canada Limited; and MNP LLP, to conduct compliance audits during the 2022-2026 term of office.

RECOMMENDATIONS

The City Clerk recommends that:

1. The Compliance Audit Committee appoint William Molson; BDO Canada LLP; Chaplin & Co LLP; Delta Group Canada Limited; and MNP LLP, to conduct compliance audits of election campaign finances of candidates or third party advertisers during the 2022-2026 term of office.

FINANCIAL IMPACT

The City Clerk, in consultation with the Legal Services Division, established contracts for each auditor, in the amount of \$75,000 for William Molson; \$100,000 for BDO Canada LLP; \$100,000 for Chaplin & Co LLP; \$100,000 for Delta Consulting Group; and \$100,000 for MNP LLP. These amounts are based on the estimated costs related to the hourly rates for each audit firm to conduct the compliance audits. The estimated contract value should be sufficient to accommodate further compliance audits as required. The amounts may be adjusted for various reasons, including that some audits may be more complex than anticipated.

Subsection 88.33(16) of the Municipal Elections Act, 1996, requires the municipality to pay the auditor's costs of performing compliance audits. Funding for compliance audits is included in the City Clerk's Office annual Operating Budget, fully recovered from the Election Reserve Fund.

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

DECISION HISTORY

The Committee, at its meeting on May 10, 2023, adopted its Purchasing Policy.
<https://secure.toronto.ca/council/agenda-item.do?item=2023.EA1.3>

The Committee at its meeting on July 19, 2023, granted compliance audits for two candidates.
<https://secure.toronto.ca/council/agenda-item.do?item=2023.EA3.3>
<https://secure.toronto.ca/council/agenda-item.do?item=2023.EA3.4>

COMMENTS

The Municipal Elections Act, 1996 outlines that, where the Committee decides to grant an application for a compliance audit, it must appoint an auditor who is licensed under the Public Accounting Act, 2004. To date, the Committee has granted audit applications of two candidates in the 2022 municipal election.

The City Clerk issued a Request for Services Quotation (RFSQ) to procure a roster of qualified external auditors to conduct compliance audits during the 2022-2026 term of office. The RFSQ closed on April 14, 2023, with no submissions received.

The City Clerk then pursued a non-competitive procurement process that yielded five qualified external auditors including William Molson, MNP LLP, BDO Canada LLP, Chaplin & Co LLP, and Delta Group Canada Limited.

William Molson is a sole practitioner and a licensed public accountant. He has extensive experience in conducting audits for candidates running for municipal office and for provincial and federal riding associations. He has also performed compliance audits for a number of Ontario municipalities, including Toronto.

MNP LLP is a national accounting, tax and business consulting firm, with offices throughout Canada. Their auditors provide audit services to private corporations and governments and they have completed compliance audit work large in scale, scope and complexity at both the federal level and municipal level, including Toronto.

BDO Canada LLP is a national network of public accounting, tax, consulting and business advisory firms that provide professional services. BDO serves over 1,100 public sector clients, with significant experience working in federal, provincial, and municipal sectors. BDO has experience performing audits of municipal candidate contributions in past elections for Toronto and other municipalities.

Chaplin & Co. LLP is a full-service firm that provides assurance, accounting, consulting and taxation services, with a political finances division specializing in audit reports at all levels of government. The firm has extensive experience in conducting audits for candidates running in Toronto municipal elections.

Delta Group Canada Limited is a firm focused on dispute resolution, advisory, investigations, and risk management. Delta acquired Froese Forensic Partners in 2023, an independent financial investigative and accounting firm that has conducted past compliance audits for Toronto and other municipalities.

This report recommends that the Compliance Audit Committee appoint the five auditors to undertake compliance audits during the 2022 to 2026 term of office. The City Clerk will assign an auditor from the five appointed auditors, based on consideration of their experience, availability, and other factors.

CONTACT

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SIGNATURE

John D. Elvidge
City Clerk