

**Contract Award of Request for Proposal No. 9119-19-7141 (Doc2038917448) to KPMG LLP for External Audit Services for the City and Certain of its Agencies and Corporations**

**Date:** January 24, 2020

**To:** Audit Committee

**From:** Auditor General

Chief Purchasing Officer, Purchasing and Materials Management Division

**Wards:** All

**REASON FOR CONFIDENTIAL INFORMATION**

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The attachment to this report involves the security of property belonging to the City of Toronto and certain of its agencies and corporations

**SUMMARY**

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The purpose of this report is to advise on the results of Request for Proposal (RFP) No. 9119-19-7141 (Doc2038917448) to appoint one (1) auditor licensed under the Public Accounting Act, 2004 to perform the annual financial statement audits for the years 2020 to 2024 inclusive for the City of Toronto and certain of its agencies and corporations, as well as other attest audits of financial information (listed in Attachment 1), and to request authority to enter into an agreement with the recommended proponent, KPMG LLP.

**RECOMMENDATIONS**

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The Auditor General and the Chief Purchasing Officer, Purchasing and Materials Management recommend that:

1. City Council appoint KPMG LLP as the auditor licensed under the Public Accounting Act, 2004 who is responsible for annually auditing the accounts and transactions of the City and certain of its local boards and expressing an opinion on the financial statements of these bodies based on the audit.
2. City Council grant authority to the Auditor General to negotiate and enter into an agreement in the amount of \$6,733,000 excluding all applicable taxes and charges, \$7,608,290 including HST and all applicable charges (\$6,851,501 net of HST recoveries), with KPMG LLP being the highest ranked proponent meeting the requirements of the RFP for external audit services to perform the annual financial statement audits for the years 2020 to 2024 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, as outlined in Attachment 1, on the terms and conditions set out in RFP 9119-19-7141(Doc2038917448) and in a form satisfactory to the City Solicitor.

3. Council authorize the public release of the confidential information in Attachment 2 upon Council's approval of this contract award to KPMG LLP and KPMG LLP signing the contract.

## **FINANCIAL IMPACT**

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The total contract award value for the audits of the City and certain of its agencies and corporations, as identified in Attachment 1, is \$6,733,000 excluding all applicable taxes and charges, \$7,608,290 including all applicable taxes and charges (\$6,851,501 net of HST recoveries) of which \$3,245,000 excluding all applicable taxes and charges, \$3,666,850 including all applicable taxes and charges (\$3,302,112 net of HST recoveries) is the value to complete audits for the City. The total fixed price for each of the audits set out in RFP 9119-19-7141(Doc2038917448) is identified in Confidential Attachment 2.

The annual cost of the external audit services for the City and certain of its agencies and corporations for 2020 will be \$1,216,000 excluding all applicable taxes and charges, \$1,374,080 including all applicable taxes and charges (\$1,237,402 net of HST recoveries). The total annual audit fees will increase annually by approximately five (5) per cent, on average.

Divisions and agencies are being provided these costs and will be responsible for them within their 2020 Approved Operating Budgets.

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

## **DECISION HISTORY**

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In a report dated February 10, 2015, the Auditor General recommended that authority be granted for a five-year contract for external audit services for the City and certain of its agencies and corporations with PricewaterhouseCoopers LLP. The contract expires with the completion of the financial statement audits for the year ended December 31, 2019.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20>

A report on the process to obtain external audit services for the City and certain of its agencies and corporations was received by Audit Committee on June 28, 2019.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU3.18>

## COMMENTS

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### **Background:**

Under Chapter 27 of the Toronto Municipal Code, one of the responsibilities of the Audit Committee includes recommending the appointment of the City's external auditor.

Under Section 139 of the City of Toronto Act, 2006 (the Act), 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 (5) 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.

### **Procurement Process:**

The Purchasing and Materials Management Division (PMMD) on behalf of the Auditor General's Office issued RFP No. 9119-19-7141(Doc2038917448) on October 29, 2019 and it closed on November 25, 2019. One (1) addendum was issued for this call. The RFP was issued through the City's electronic bidding system, SAPAriba Sourcing. In addition, the Purchasing and Materials Management Division notified 15 firms of the posting by email, including the 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. KPMG LLP
2. Pricewaterhouse Coopers LLP

### **Evaluation of the Proposal Submissions:**

The Selection Committee was comprised of one (1) 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. Purchasing and Materials Management Division (PMMD) provided ongoing support. All staff involved in the evaluation process signed and submitted a Non-Disclosure and Declaration of Conflict of Interest Agreement to PMMD prior to the proposals being received. The Selection Committee evaluated the proposals in compliance with the criteria set out in the RFP.

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 until the evaluation of the technical proposals was complete.

The Selection Committee performed the consensus method of evaluation. A minimum overall score of 75 percent for the technical proposal, as a well as a minimum score of

75 per cent on two components of the technical proposal ("Proposed Audit Approach" and "Work Plan and Deliverables") was required in order for a Proponent to be deemed qualified.

As part of the evaluation process, interviews were held in order to clarify the Selection Committee's understanding of both Proponents' response. After a comprehensive review of each of the Proponents' submissions, and clarifications, both KPMG LLP's and PricewaterhouseCoopers LLP's proposals met the minimum technical thresholds and were deemed qualified.

All technical scores were calculated prior to the opening of the Cost of Services envelope. The Selection Committee completed the Cost of Services evaluation for the two (2) Proponents that were deemed qualified. The cost submissions were reviewed and calculations of the total annual costs and price scores were validated by PMMD. The technical scores and the cost of services scores were then added together with the total representing the final score for each Proponent. It was determined that the proposal from KPMG LLP ranked first. The proposal submitted by KPMG was the highest scoring proposal and the Selection Committee has concluded that the proposal met the requirements of the RFP and demonstrated an appropriate level of effort for the proposed audits.

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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Beverly Romeo-Beehler  
Auditor General

Michael Pacholok  
Chief Purchasing Officer

## **ATTACHMENTS**

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Attachment 1 – Listing of Audits Included in Request for Proposal No. 9119-19-7141(Doc2038917448)

Confidential Attachment 2–Confidential Information:  
Breakdown of Contract Value by Audit as Included in Request for Proposal No. 9119-19-7141(Doc2038917448)

**Attachment 1 –  
Listing of Audits Included in Request for Proposal No. 9119-19-7141**

<b>City of Toronto</b>	
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 Union Station Revitalization Project Agreement and Report on accounts, records, claims and expenditures incurred related to this Agreement*
6.	City of Toronto – Report on Compliance with the Gas Tax Fund Administration Agreement and Report on information and expenditures incurred under this Agreement*
7.	City of Toronto – Reaching Homes Project (previously known as Homelessness Partnering Strategy Project) Statement of Revenue and Expenditures*
8.	Long-Term Care Homes – Annual Reconciliation Reports (10 as listed below)
	a. Bendale Acres*
	b. Carefree Lodge*
	c. CastlevewWychwood Towers*
	d. Cummer Lodge*
	e. Fudger House*
	f. Kipling Acres*
	g. Lakeshore Lodge*
	h. Seven Oaks*
	i. True Davidson Acres*
	j. Wesburn Manor*
<b>(Ontario Business Corporation Act) OBCA Corporations</b>	
9.	Toronto Community Housing Corporation (TCHC)

<b>City of Toronto</b>	
	a. Audit of Consolidated Financial Statements of TCHC
	b. Audit of Financial Statements of Regent Park Energy Inc.
	c. Audit of Financial Statements of Group 1, Group 2, and Group 3 of Toronto Community Housing Corporation
	d. Review of Financial Statements of Toronto Affordable Housing Fund
	e. Review of Financial Statements of Regent Park Development Corporation
	f. Review of Financial Statements of Alexandra Park Development Corporation
	g. Review of Financial Statements of Allenbury Gardens Development Corporation
	h. Compilation (Notice to Reader) of Financial Statements of Access Housing Connections Inc.
	i. Compilation (Notice to Reader) of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.
	j. Compilation (Notice to Reader) of Financial Statements of 2001064 Ontario Inc.
	k. Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation
	l. Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation
	m. Compilation (Notice to Reader) of Financial Statements of Railway Lands Development Corporation
10.	Consolidated Financial Statements of Build Toronto Inc.
11.	Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company
<b>Local Boards</b>	
12.	Financial Statements of CreateTO
13.	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

<b>City of Toronto</b>	
14.	Toronto Police Services Board Special Fund (TPSB Special Fund) – Section 9110 Report on Agreed Upon Procedures regarding internal control over financial reporting only
15.	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 (8 as listed below)
	a. Annual Service Plan and Budget Submission* 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. Healthy Babies Healthy Children Program Settlement Report*
	d. Preschool Speech and Language Program Settlement Report*
	e. Infant Hearing Program Settlement Report*
	f. Blind Low Vision Program Settlement Report*
	g. Supervised Injection Site Program Settlement Report*
	h. Low Income Seniors Dental Program Settlement Report*
16.	Financial Statements of Toronto Public Library Board
17.	Financial Statements of Toronto Public Library Foundation
18.	Exhibition Place
	a. Consolidated Financial Statements of the Board of Governors of Exhibition Place
	b. Coca Cola Coliseum – Special Audit on Schedule of Expenditures
19.	Financial Statement of TO Live (formerly the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Civic Theatres Toronto))
20.	Financial Statements of the Board of Management of the Toronto Zoo
<b>Transit</b>	
21.	Consolidated Financial Statements of Toronto Transit Commission



<b>City of Toronto</b>	
22.	Financial Statements of TTC Insurance Company Limited
<b>Financial Trusts – Pension Bodies</b>	
23.	The Fund of the Metropolitan Toronto Pension Plan*
24.	The Fund of the Metropolitan Toronto Police Benefit Fund*
25.	The Fund of the Toronto Civic Employees' Pension and Benefit Fund*
26.	The Fund of the Toronto Fire Department Superannuation and Benefit Fund*
27.	Financial Statements of Toronto Transit Commission Pension Fund Society
28.	Financial Statements of Toronto Transit Commission Sick Benefit Association

\* The five-year contract value to complete audits for the City is \$3,245,000 excluding all applicable taxes and charges, \$3,666,850 including all applicable taxes and charges (\$3,302,112 net of HST recoveries).