



REPORT TO

REGULAR BOARD

## APPOINTMENT OF EXTERNAL AUDITORS – FIVE YEARS BEGINNING 2015/16

*Psalm 37:23*

*The steps of a good man are ordered by the Lord.*

Created, Draft	First Tabling	Review
May 31, 2016	June 7, 2016	June 9, 2016
D. Bilenduke, Senior Coordinator, Finance M. Farrell, Coordinator, Material Management P. De Cock, Comptroller for Business Services & Finance		
<b>RECOMMENDATION REPORT</b>		

**Vision:**

*At Toronto Catholic we transform the world through witness, faith, innovation and action.*

**Mission:**

*The Toronto Catholic District School Board is an inclusive learning community rooted in the love of Christ. We educate students to grow in grace and knowledge and to lead lives of faith, hope and charity.*



B. Poplawski  
Audit Committee Chair

## **A. EXECUTIVE SUMMARY**

At the conclusion of our current external auditor's five year term, the Board of Trustees passed a motion to go out to the marketplace and request proposals for the next five year term. Section 253(1) of the Education Act requires Boards to appoint auditors for a term not to exceed five years.

After careful evaluation of three Request for Proposal responses, using a documented and weighted scoring system, management staff discussed their findings with the Audit Committee. After careful consideration and a lengthy discussion, both management staff and the Audit Committee recommend the appointment of the proponent with the highest score, **Deloitte LLP**, as the Board's external auditor for a five year period beginning with fiscal 2015-16.

## **B. PURPOSE**

The Education Act requires that the Board retain and appoint the services of an external auditor to provide an annual report with respect to the Board's financial statements. Both the audit report and financial statements must be approved by the Board and submitted to the Ministry of Education by a prescribed date. The external auditor may also be utilized provide other specialized audit activities as directed.

## **C. BACKGROUND**

1. At the conclusion of the Board's current external auditor's five year term, the Board of Trustees passed a motion directing staff to go out to the marketplace and request proposals for the next five year term. Section 253(1) of the Education Act requires Boards to appoint auditors for a term not to exceed five years.
2. O. Reg. 361/10 9. (4) 1. Requires Audit Committees to perform the following duty as it relates to the Board's external auditor: ***"To review at least once in each fiscal year the performance of the external auditor and make recommendations to the Board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor."***

3. At its Regular Board meeting on March 31, 2016 the Board of Trustees directed that the Board’s requirements for external audit services be posted on a Request for Proposal (RFP).
4. Management is required to review its recommendations with the Audit Committee before final presentation to the Board of Trustees.

**D. EVIDENCE/RESEARCH/ANALYSIS**

1. On April 27<sup>th</sup> 2016, an RFP was issued to a number of audit firms as well as advertised on Biddingo and the Board’s website.
2. The Board received three proposals by the closing date of May 11, 2016 from the following firms:
  - KPMG
  - Grant Thornton
  - Deloitte LLP
3. The proposals were reviewed for compliance to the RFP requirements. An evaluation team consisting of the Chief Financial Officer and staff from Finance, Budget and Materials Management then reviewed the proposals which were scored based on the following scoring matrix:

**Evaluation Matrix Summary**

<b>Evaluation Criterion</b>	<b>Weighted Percentage</b>
1. Fees and Expenses from Financial Review of Form of Proposal (max 40%)	40
2. Audit Firm Technical Qualifications and Experience (max 30%)	30
3. Audit Approach (max 15%)	15
4. Advisory Services & Publications (max 5%)	5
5. Oral Presentation, if required (max 10%)	10
<b>Total</b>	<b>100</b>

4. The team met on May 19, 2016 and scored the proposals according to the evaluation criteria attached as Appendix A.
5. At the conclusion of the scoring, the proponents were ranked first through third as follows:
  1. Deloitte LLP
  2. Grant Thornton
  3. KPMG
6. A report was prepared for a comprehensive discussion at the Audit Committee meeting on June 7, 2016. The Audit Committee was asked to endorse management's recommendation to award the external audit services for a five year period to Deloitte LLP.
7. At the conclusion of the review process, the team confirmed its selection of Deloitte LLP as the highest scoring proponent most able to fulfil the requirements as the Board's External Auditors.

#### **E. IMPLEMENTATION, STRATEGIC COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT PLAN**

1. The Audit Committee has endorsed management's recommendation to award the external audit services for a five year period to Deloitte LLP.
2. Deloitte has indicated they are ready to transition from the previous audit working papers in June and start the interim audit and IT control testing in late July and August. They will have an audit plan available to the Audit Committee at our scheduled meeting in September.

#### **F. AUDIT COMMITTEE'S RECOMMENDATION**

That the Board of Trustees approve the Audit Committee's recommendation to appoint Deloitte LLP as the Board's external auditor for a five year period commencing with fiscal 2015-16.