



Report to: General Committee

Meeting Date: December 17, 2024

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**SUBJECT:** Auditor General Services Procurement  
**PREPARED BY:** Kimberley Kitteringham, City Clerk, ext. 4729  
Martha Pettit, Deputy Clerk, ext. 8220  
Jennifer Evans, Legislative Services Coordinator, ext. 3835

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**RECOMMENDATION:**

- 1) That the report “Auditor General Services Procurement” be received; and,
- 2) That a Procurement Team, led by Purchasing Staff and comprised of the Commissioner of Corporate Services, the City Treasurer, the City Clerk and the City Solicitor, be authorized to undertake a recruitment/procurement process for Auditor General Services for the City of Markham; and,
- 3) That the Auditor General Services Procurement Team provide a recommendation to General Committee regarding the preferred candidate in the first quarter of 2025; and further,
- 4) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to seek Council authority for Staff to undertake a procurement process for Auditor General (AG) Services and report back to General Committee in the first Quarter of 2025 with a recommended provider.

**BACKGROUND:**

In accordance with the Municipal Act, 2001 (“the Act”), the appointment of an Auditor General is a discretionary decision of Markham City Council. Under Section 223 of the Act, “*a municipality may appoint an Auditor General who reports to council and is responsible for assisting the council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in operations.*” The Act clarifies that an AG is not required to be a municipal employee.

The AG function is intended to represent an independent, objective assurance activity designed to add value to and improve municipal operations. Activities undertaken by the AG assist the City to accomplish its strategic and operational objectives by bringing a systematic, disciplined approach to evaluate and propose recommendations to improve the City’s risk management, control and governance processes, including through financial control, compliance and performance audits focused on the effectiveness and efficiency of processes, programs, and departments.

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The AG has the authority to access information, records, personnel, etc. that it believes to be necessary to perform its duties and undertake its activities as authorized and approved by Markham City Council. Although the AG reports *formally* to Council, *administratively* an AG typically reports through a senior-level within the organization.

While providing complementary services, an Auditor General is separate and distinct from a municipality's external auditor. Under Section 296 of the Act, a municipality is mandated to appoint a licensed public accountant to audit and express an opinion on the accuracy and appropriateness of its financial statements (which are required to be prepared annually under the Act). Currently, KPMG LLP is the City of Markham's financial auditor.

In October 2007, Council approved the appointment of an individual, Ingrid Cutter, as the City's first Auditor General. After Ms. Cutter left the City in 2010, the role of AG remained vacant for five years (from September 2010 to November 2015). In November 2015, Markham City Council approved the appointment of an external company, MNP, to undertake the Auditor General functions for a four-year term. Geoff Rodrigues (Partner, National Leader of Internal Audit Services), representing MNP, was named Auditor General. The presentation to General Committee from November 2015 is attached as **Appendix "A"**. In 2016, MNP commenced its role at the City and conducted a risk assessment of the full "audit universe" including input from Members of Council and senior City Staff. Based on the results of the risk assessment, a four-year Audit Plan was developed.

Over the contract term, MNP executed the audit work in accordance with the 2016-2019 Auditor General Services Agreement and the Audit Plan, meeting the City's goals, objectives and timelines, within its approved four-year budget of \$600K. Through the AG's audits and related recommendations, the City benefited from MNP's subject matter expertise to enhance internal controls. MNP's identification of opportunities for increased efficiencies, improved documentation controls and process improvements, promoted continuous improvement across a number of different City business areas as a direct result of the audits.

In October 2019, Markham City Council approved a contract extension for an additional five-year period with MNP. The five-year Audit Plan was prepared based on the results of a refreshed audit risk assessment and the required follow-up reviews of action taken on previous audits. The approved Audit Plan formed the basis for conducting individual audit and operational review engagements. The work of the Auditor General was paused during the COVID 19 pandemic and resumed in 2023. MNP is currently completing several value for money audits. The AG's contract formally ends on December 31, 2024, but has been extended to allow current work in progress to be completed. MNP will make a final report back to General Committee on its 2023 and 2024 audit work in Q1 2025.

As part of the preparation of this report, Staff have conducted a jurisdictional scan of AG functions in other municipalities. Within York Region, the Region of York has an in-house Audit Services Branch, which also provides audit services to a number of local municipalities within the Region through a Memorandum of Understanding. The City of

Vaughan maintains its own in-house function through a team lead by its Director of Internal Audit. The jurisdictional scan is attached as **Appendix "B"**.

### **OPTIONS/ DISCUSSION:**

Having an AG provides numerous benefits to a municipality, primarily centered around enhancing accountability, transparency, and governance including:

#### Independent Oversight

- An AG operates independently from municipal management and council, ensuring unbiased assessments of financial and operational practices.
- This independence helps identify issues without influence from political or administrative pressures.

#### Enhanced Accountability

- By examining how public funds are managed and spent, the AG holds officials accountable for their decisions and actions.
- It ensures that taxpayer dollars are used effectively, efficiently, and for their intended purposes.

#### Improved Transparency

- Regular audits and public reports by the AG provide insights into municipal operations, fostering trust among residents and stakeholders.
- The findings are often shared publicly, making the government more open and responsive.

#### Fraud Detection and Prevention

- The AG can identify and address potential fraud, waste, or abuse of resources through their audits.
- Recommendations from audits often include controls to prevent future issues.

#### Operational Efficiency

- An AG often conducts performance or value-for-money audits to evaluate whether programs and services are delivered efficiently and effectively.
- These insights can lead to cost savings and improved service delivery.

#### Strengthened Governance

- An AG assists Council in making informed decisions by providing data-driven findings and recommendations.
- This support strengthens the overall governance framework and decision-making processes.

#### Public Confidence

- The presence of an AG reassures the public that an independent body is safeguarding their interests.
- This can enhance trust in the municipality and its leadership.

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**Policy and Process Improvement**

- Recommendations from the AG often lead to better policies, procedures, and internal controls.
- Continuous evaluation encourages a culture of learning and improvement within the organization.

Effective December 31, 2024, the City will have reached the end of the contract with MNP. In accordance with best practices in municipal procurement, Staff support going to market at this time to retain a new AG. Staff are seeking delegated authority for Staff to conduct the recruitment and to return to General Committee with a recommended candidate for AG. The proposed evaluation team is the Commissioner of Corporate Services, the City Treasurer, the City Clerk and the City Solicitor.

**FINANCIAL CONSIDERATIONS:**

The City's annual budget for AG services is approximately \$150K. A funding provision has been incorporated into the City's 2025 budget to support continued delivery of AG services, subject to Council direction and approval. Any required funding adjustment pending the outcome of the procurement process will be managed in-year and as part of future budget processes.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

The Executive Leadership Team (ELT) and the Financial Services Department were consulted in the preparation of this report.

**RECOMMENDED BY:**

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Kimberley Kitteringham  
City Clerk

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Trinela Cane  
Commissioner, Corporate Services

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Joseph Silva  
Treasurer

Appendix "A" – "Auditor General Presentation – April 13, 2015"

Appendix "B" – "Auditor General Jurisdictional Scan – November 2024"