

**MANAGEMENT REPORT TO METROLINX**

<b>Report Title:</b>	Award of Engagement for Audit Services				
<b>Report Number:</b>	CS 08-003	<b>Date to Board:</b>	Feb 22, 2008	<b>Date to Committee:</b>	Feb 5, 2008
<b>Report To:</b>	<input checked="" type="checkbox"/> BOARD		<input type="checkbox"/> ADVISORY COMMITTEE <input type="checkbox"/> AUDIT COMMITTEE <input type="checkbox"/> GOVERNANCE COMMITTEE <input type="checkbox"/> HUMAN RESOURCES COMMITTEE <input type="checkbox"/> TECHNICAL ADVISORY GROUP <input type="checkbox"/> OTHER:		
<b>Report Referred From:</b>	Audit Committee				
<b>Author(s):</b>	Peter Smith		<b>Telephone:</b>	416-869-3600 Ext 5502	
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<b>Item Class:</b>	IN CAMERA	<input type="checkbox"/>	DECISION	<input checked="" type="checkbox"/>	INFORMATION <input type="checkbox"/>

**1.0 RECOMMENDATION:**

*RESOLVED:*

**THAT** the Board approve the Audit Committee recommendation that, subject to the completion of satisfactory contract negotiations, the Corporation is authorized to enter into a binding agreement with Grant Thornton to provide Audit Services for the Corporation; and

**THAT** these services include statutory audits of the Corporation's financial statements for the fiscal years ending March 31, 2008 and March 31, 2009, at an aggregate cost of not more than \$27,000, as well as supplementary audit services, as needed.

**2.0 PURPOSE & EXECUTIVE SUMMARY:**

To seek the Board's approval for the retention of Grant Thornton to provide Audit Services to Metrolinx.

### 3.0 BACKGROUND:

At its February 5, 2008 meeting, the Audit Committee approved the following staff recommendation:

**THAT** the Audit Committee recommends to the Board that, subject to the completion of satisfactory contract negotiations, the Corporation is authorized to enter into a binding agreement with Grant Thornton to provide Audit Services for the Corporation; and

**THAT** these services include statutory audits of the Corporation's financial statements for the fiscal years ending March 31, 2008 and March 31, 2009, at an aggregate cost of not more than \$27,000, as well as supplementary audit services, as needed.

The *Greater Toronto Transportation Authority Act, 2006*, states in Section 26(1) that Metrolinx's Board of Directors shall appoint one or more licensed public accountants to audit the accounts and transactions for Metrolinx for the previous fiscal year.

The successful vendor ("Auditor") will report to the Audit Committee, which will review the Auditor's audit plans and actively solicit their judgments about the quality of the corporation's accounting principles as applied in its financial reporting. This discussion will include such issues as the clarity of financial disclosures and the Corporation's accounting principles and estimates.

As a new entity, there may be a need for the Auditor to provide support to the Audit Committee and to management in establishing robust corporate accounting, financial reporting and budgetary control functions. In addition, the Auditor General is authorized to audit Metrolinx. Experience suggests that the Auditor General may conduct an audit on a new agency's start-up operations and the support of the Auditor may be required to assist with that process. The contract provides for on-request services at a stated fee, plus disbursements.

The Auditor may be required to attend Committee and Board meetings to participate in discussions and augment Metrolinx's accounting and financial expertise. The Auditor may also be asked to assist in professional development of Committee and Board members by, for example, providing financial literacy workshops.

The timing of the transfers to Metrolinx of GO Transit, Presto (Fare Card) and Transit Procurement Initiative are still to be determined. If these functions are transferred to Metrolinx within the timeframe of this contract, the Auditor may be asked to review the transition plans and financial statements of the transferred functions. These potential reviews were priced separately by the bidding vendors. The Auditor may also be asked to do any necessary close-outs or consolidations for the Smart Commute function, now incorporated within Metrolinx.

#### **4.0 DISCUSSION:**

Metrolinx utilized the Ministry of Finance's pre-existing Vendor of Record list for Audit Services and sent a "Request for Services" to the following Vendors via e-mail:

- Deloitte & Touche
- Ernst & Young
- Grant Thornton
- KPMG
- PricewaterhouseCoopers

The evaluation panel that reviewed these submissions was comprised of:

- Kim Lambert, Director, Corporate Services, Metrolinx
- Paul Chetcuti, Analyst, Corporate Services, Metrolinx
- Bill Gibson, Procurement Solutions Consultant, Ministry of Transportation
- Jey Ratnasingam, A.C.A., Manager, Internal Audit, GO Transit

Vendor submissions were evaluated on Skills and Knowledge (15 points) and Price for services (15 points) for a grand total of 30 points.

In total, two vendors chose to bid, and the successful vendor Grant Thornton scored the highest.

Grant Thornton also provides audit services for GO Transit.

#### **5.0 FINANCIAL MATTERS:**

The cost of these audit services is within the scope of the budget allowance for "Legislative Requirements" (Consulting Assignment for Audit Services) contained in the 2007/08 Revised Budget Report (07-B65).

The cost of these services is also included in the proposed 2008/09 Budget submitted through the Ministry of Transportation's business planning process.

#### **6.0 HUMAN RESOURCES MATTERS:**

N/A.

#### **7.0 ENVIRONMENTAL MATTERS:**

N/A.

**8.0 COMMUNICATION MATTERS:**

N/A.

**9.0 LEGAL MATTERS:**

The *Greater Toronto Transportation Authority Act, 2006*, states in Section 26(1) that Metrolinx's Board of Directors shall appoint one or more licensed public accountants to audit the accounts and transactions for Metrolinx for the previous fiscal year.

**10.0 CONCLUSION:**

The Audit Committee is confident that Grant Thornton has the required skills, experience and resources to provide the statutory audits and other audit services as required.

Respectfully submitted,



Peter Smith, Chair, Audit Committee

Approved for Submission to the Board



Mary Martin, General Counsel & Corporate Secretary  
per W. Michael Fenn, CEO

**Appendices:**

N/A

**Staff & Others  
Consulted:**

Name	Telephone
Kim Lambert Director, Corporate Services	416 874 5905
Mary Martin General Counsel & Corporate Secretary	416 874 5915

Paul Chetcuti, Analyst, Metrolinx	416 874 5914
Bill Gibson, Procurement Solutions Consultant, Ministry of Transportation	905 704 2813
Jey Ratnasingam, Manager, Internal Audit, GO Transit	416 869 3600 (ext. 5370)

***Notifications:***

Name	Mailing or E-mail Address
N/A	

***Special Instructions:***

N/A
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