



June 21, 2016

Attn: Members of the Audit Committee  
The Corporation of the City of London  
300 Dufferin Ave, PO Box 5035  
London, ON N6A 4L9

Dear Members of the Audit Committee:

**Subject: Consultant Contract Award and Payment Reporting Processes**

Background and scope of findings

On October 22, 2013, a resolution was passed by Municipal Council to direct PwC to “undertake a review of the current City of London practices and policies with respect to retaining external consulting services, except for consultant reports subject to labour relations privilege, litigation privilege, solicitor-client privilege or exceptions under the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA), and to report back to the Audit Committee on the following matters: (a) any improvements that can be made to ensure that external consultants are being engaged at appropriate time to achieve a value for money perspective; and (b) opportunities to strengthen accountability and transparency with respect to the process followed to retain external consultants.”

The observations and recommendations described below are intended to support decision-making and promote transparency surrounding the consultant procurement process.

Observations

From our review of the City of London’s Procurement of Goods and Services Policy (the “Procurement Policy”), PwC noted explicit guidance regarding approval authority limits. Under S. 12.2 of the Procurement Policy, consultant contract awards greater than \$100,000 must be approved by Committee and City Council. Projects which have estimated fees of less than \$100,000 may be awarded to consultants jointly by the Managing Director and Manager of Purchasing and Supply. According to S. 15.1(b) of the Procurement Policy, “Under no circumstances shall an extension or expansion of a consulting engagement preclude the required approvals. This includes splitting the project or scope of work into multiple phases or sections. City Council has sole authority to approve and award contracts greater than \$100,000.” Furthermore, under S. 15.1(c), “If a consulting engagement that has been awarded administratively then exceeds the approval threshold of \$100,000, the Managing Director shall immediately prepare a report to City Council providing a status update and requesting approval to proceed (if applicable)”.

While the policies surrounding approval authority limits are clearly delineated and reflect best practices, PwC noted that there may be opportunities to enhance transparency surrounding the consultant procurement process, such as the definition of a consultant and criteria for procuring consultants.

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



### Potential Risks

Currently, the Procurement Policy does not formally define 'consulting services' or describe the preconditions that must exist in order to procure consulting services. Failure to document such policies and procedures creates a transparency risk whereby the public may question whether civic administration and/or City Councillors consistently consider the financial and operational implications of consultant procurement. Furthermore, management is not required to report on cumulative costs spent-to-date, total revised estimated costs, a summary of services that have been received to date (and those yet to be received), or provide a timeline for completion when submitting consultant contract service extensions to Council. Consequently, Councillors may not be aware of the total project costs, extent of services received to date, and remaining services expected to be received when considering extending such contracts. Under this scenario, multiple contract extensions over a prolonged period of time could potentially diminish Council's capacity to make supported procurement decisions.

### Recommended Action Plans

The City should consider amending the Procurement Policy to enhance the transparency surrounding consultant procurement as follows, giving consideration to certain exclusions within Schedule B of the Procurement Policy which are not intended to be captured by the recommendations below

1. The Procurement Policy should be amended to include the definition of 'consulting services'.
2. Outside of the Procurement Policy, management may consider providing a high-level analysis of the major functions and activities that will be performed internally vs. outsourced to contractors as this may help clarify the business case for internal vs. external sourcing decisions. Such an analysis should be strategically-focused and may include a discussion on historical and forecasted insourced vs. outsourced procurement trends, activities that management intend on outsourcing in the future, and the business case to support outsourcing vs. insourcing on the highest spend and recurring expenditures incurred by the Division/Service Area.
3. Management should include a summary of the cumulative costs spent-to-date, total revised estimated costs, services that have been received-to-date (and those yet to be received), and estimated timelines for project completion on consultant contract extension submissions to Council.

Should you require any clarification on the contents of this letter, we would be pleased to discuss with you at your convenience.

Yours very truly,

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**