

# 4

## LEGAL AND REGULATORY COMPLIANCE



## **4.1 LEGAL COMPLIANCE OF ORGANIZATIONS HAVING RECEIVED A SUBSIDY OF AT LEAST \$100,000**



## 4. Legal and Regulatory Compliance

### 4.1. Legal Compliance of Organizations Having Received a Subsidy of at Least \$100,000

In accordance with section 107.9 of the *Cities and Towns Act* (CTA), “any legal person who receives an annual subsidy of at least \$100,000 is required to have its financial statements audited”. This legal person’s auditor must provide the Auditor General with a copy of its annual financial statements, its report on these statements as well as any other report summarizing the auditor’s observations and recommendations to the board of directors or corporate officers of this legal person.

This auditor must also, when requested by the Auditor General, provide the latter with any document that relates to the audit works and their results, while also providing all information that the Auditor General considers necessary with regard to these audit works and their results. If the Auditor General considers that the information, explanations or documents obtained from the auditor are insufficient, he can arrange for any additional verification that he views as necessary.

In December 2013, the city council also adopted resolution CM13 1157 that requires, amongst other things, organizations having received a subsidy of at least \$100,000 to file an annual report each year.

Moreover, on June 21, 2016, a set of letters identifying the organizations having received subsidies adding up to at least \$100,000 in 2015 was provided by Direction générale to the concerned business units, asking them to provide it, as well as the Auditor General, with a copy of the audited financial statements of these organizations.

#### OBJECTIVE AND SCOPE OF THE MANDATE

Our mandate was to ensure that every legal person that, in 2015, received a subsidy of at least \$100,000 from the city was complying with the provisions of section 107.9 of the CTA with regard to submitting a copy of its audited financial statements to the Auditor General.

Our efforts were limited to obtaining audited financial statements and, accordingly, we obtained no other report summarizing the external auditor’s observations and recommendations for the board of directors or the corporate officers of the legal person.

Our procedures involved comparing the amounts identified for the organizations included in the letters provided by the Direction générale and the total subsidies listed in the financial statements of the Ville de Montreal. We indicated our differences to the Direction générale and also provided reminder letters to the business units from which we had not yet received all of the audited financial statements for the organizations in question.

From our scope, we excluded any organization for which the Auditor General also serves as auditor, as well as all organizations now grouped under *PME Montréal*.

In 2014 and 2015, Bureau du vérificateur général issued optimization audit reports on the management of financial contributions. The follow-up audits on the recommendations contained in these reports are included in the results on the follow-up of the recommendations presented in chapter 6 of this report.

### CONCLUSION

In 2015, the city disbursed a total of \$191.1 million including \$108.7 million (i.e. 57%) to 187 organizations that received subsidies adding up to at least \$100,000, and to which the requirements of section 107.9 of the CTA apply.

By May 12, 2017, the Bureau du vérificateur général had received the 2015 audited financial statements of 176 (i.e. 94%) of the 187 organizations affected by this requirement under the CTA, for a total of \$104.9 million.

For the 11 non-compliant organizations, 5 of them submitted financial statements requiring an audit even though the CTA requires audited financial statements.

We encourage the city to continue its efforts to make organizations aware of the requirements of section 107.9 of the CTA.

The table on the following page summarizes the results obtained per business unit.

#### 4.1.1. Summary Table – Legal Compliance of Organizations Having Received a Subsidy of at Least \$100,000 in 2015

Business unit	Total subsidies of at least \$100,000		Audited financial statements (number)		Missing financial statements
	\$	Number of organizations	Audited	Audit missions	
Ahuntsic-Cartierville borough	\$1,818,933	8	8	–	–
Bureau des relations gouvernementales et municipales	\$10,000,000	1	1	–	–
Côte-des-Neiges–Notre-Dame-de-Grâce borough	\$3,779,899	10	7	2	1
Direction générale	\$41,128,680	45	40	–	5
Service de la diversité sociale et des sports	\$11,885,636	27	27	–	–
Mercier–Hochelaga-Maisonneuve borough	\$2,536,292	12	11	1	–
Lachine borough	\$519,334	4	4	–	–
LaSalle borough	\$1,010,603	5	4	1	–
Montréal-Nord borough	\$457,498	4	4	–	–
Outremont borough	\$115,755	1	1	–	–
Pierrefonds-Roxboro borough	\$127,743	1	1	–	–
Le Plateau-Mont-Royal borough	\$577,782	3	3	–	–
Rivière-des-Prairies–Pointe-aux-Trembles borough	\$1,392,886	4	4	–	–
Rosemont–La Petite-Patrie borough	\$1,190,721	6	6	–	–
Saint-Laurent borough	\$1,579,969	3	3	–	–
Saint-Léonard borough	\$690,793	3	3	–	–
Service du développement économique	\$9,625,321	20	20	–	–
Service de sécurité incendie de Montréal	\$5,460,934	1	1	–	–
Service des grands parcs, du verdissement et du Mont-Royal	\$671,265	1	1	–	–
Le Sud-Ouest borough	\$1,423,141	6	6	–	–
Verdun borough	\$326,387	2	2	–	–
Ville-Marie borough	\$9,751,827	8	8	–	–
Villeray–Saint-Michel–Parc-Extension borough	\$2,631,471	12	11	1	–
Total	\$108,702,870	187	176	5	6
			94%	3%	3%