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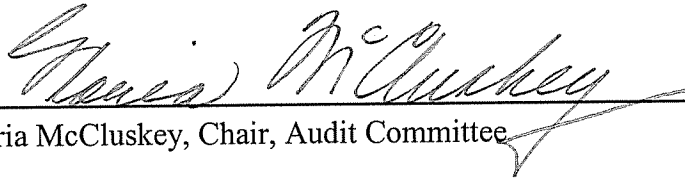


PO Box 1749
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Halifax Regional Council
February 27, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Gloria McCluskey, Chair, Audit Committee

DATE: January 26, 2007

SUBJECT: External Audit Services

ORIGIN

Section 42 (1) of the Municipal Government Act states that Council shall appoint a municipal auditor who is registered pursuant to this Act to be the auditor for the municipality. The five year contract with KPMG for external audit services expired with the fiscal year ending March 31, 2006.

RECOMMENDATION

It is recommended that Council approve a one year extension to the existing contract with KPMG for external audit services under the terms as outlined in the discussion section of this report at a cost of \$77,650 for the 2006/07 annual HRM audit.

BACKGROUND

A five year contract was awarded to KPMG in July 2001, and included a provision for an annual rate increase of the lesser of the increase in Consumer Price Index and 3%. This contract expired with the 2005/06 fiscal year end audit.

DISCUSSION

Staff deferred issuing an RFP for external audit services in the summer of 2006 due to the fact that the banking services agreement was also expiring and significant resources would be required to prepare the banking RFP documents and complete the evaluation process for a new agreement. For future it is desirable to have these two contracts expiring in different years, as the same staff are involved in the RFP process for both services.

In addition, the 2005/06 fiscal year was the second year in which the Municipality's financial statements were presented in the PSAB format. Staff consider that extending the KPMG contract for an additional year will provide needed continuity in the first few years of preparing PSAB statements.

KPMG has quoted on the additional year under the same terms as the original contract. The proposed HRM audit fee is \$77,650, with an additional cost estimate of \$6,030 to \$9,530 for audit work related to the Harbour Solutions Project, Federal Gas Tax Revenue and various Canada/Nova Scotia Infrastructure Program claims on an as needed basis.

BUDGET IMPLICATIONS

Funds are available in the operating budget in cost centre A321.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

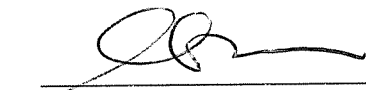
Council could not approve the extension. This is not recommended as it would create delays in the preparation of the audit while the RFP process was undertaken. In addition, an RFP award for a new 5 year contract could result in a higher first year cost than is currently being quoted, and the banking and audit services would still come due for renewal on the same cycle.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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