



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

Item No. 11.3.1

Halifax Regional Council  
December 4, 2007

**TO:** Mayor Kelly and Members of the Halifax Regional Council

**SUBMITTED BY:** *Gloria McCluskey*  
Councillor Gloria McCluskey, Chair, Audit Committee

**DATE:** November 14, 2007

**SUBJECT:** RFP 07-388, Audit Services

**ORIGIN**

Audit Committee meeting of October 25, 2007.

**RECOMMENDATION**

It is recommended that Regional Council approve:

1. The award of Request for Proposal #07-388, Audit Services to KPMG for a one-year term renewable for a maximum of five (5) years, as outlined in the budget implications section of this report.

## **BACKGROUND**

At the October 25, 2007, Audit Committee meeting discussion was held on RFP 07-388, Audit Services. The Committee passed a motion approving the report dated October 12, 2007, recommending it be forwarded to Regional Council for approval.

## **BUDGET IMPLICATIONS**

See attached Staff Report dated October 12, 2007.

## **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**

There are none associated with this report.

## **ATTACHMENTS**

1. Staff Report dated October 12, 2007 - RFP 07-388, Audit Services

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

Report Prepared By: Melody Campbell, Legislative Assistant.



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**Audit Committee**  
**October 25, 2007**

**TO:** Gloria McCluskey, Chair and members of the Audit Committee

**SUBMITTED BY:** Anna Marchand  
*for* Dale MacLennan, CA, Director of Finance

**DATE:** October 12, 2007

**SUBJECT:** RFP 07-388, Audit Services

**ORIGIN**

Section 42(1) of the Municipal Government Act states that the Municipality shall appoint a municipal auditor who is registered pursuant to the Act to be the auditor for the municipality. Halifax Regional Municipality Administrative Order 35 states that the auditor will be chosen through public advertisement at an interval no greater than five years.

**RECOMMENDATION**

It is recommended that the Audit Committee recommend the award RFP #07-388, Audit Services to KPMG for a one-year term renewable for a maximum of five (5) years, as outlined in the budget implications section of this report.

**BACKGROUND**

Halifax Regional Municipality Administrative Order 35, Procurement Policy states as follows:

*"Services of External Auditors will be acquired by public advertisement at intervals not greater than every five years. These services may be contracted on a one year term to be renewed on an annual basis up to a five year maximum on terms satisfactory to Halifax Regional Municipality. Selection of an auditor shall be completed by the Audit Committee of Council who will recommend the selection of an Auditor to Council. Annual renewal of the contract for Audit services will be made by the Audit Committee."*

KPMG has been HRM's registered auditor since July 2001. The original five (5) year term expired in the fiscal year ending March 31, 2006. A one year extension to the contract was approved by Regional Council in February 2007.

**DISCUSSION**

RFP #07-388, Audit Services closed on September 25, 2007. Two (2) proposals were received as follows:

**KPMG\***  
Grant Thornton LLP

**\*Recommended Proponent**

The two proposals were evaluated by a team comprised of HRM and Halifax Public Library staff per the attached Appendix A, Proposal Evaluation Criteria. KPMG scored the highest in every category. The resulting scores are shown in the table below.

Company	Score (out of 100)
<b>KPMG</b>	<b>93</b>
Grant Thornton LLP	79

Costs were evaluated based on the 2007/2008 fiscal year and include the quoted audit costs for all possible entities as listed in the RFP as follows:

- HRM Consolidated Financial Statements
- Miscellaneous Trust Funds
- General Rate Surplus
- Halifax Harbour Solutions

- Gas Tax Revenue and Transit Audits
- And the following Associations, Boards, and Commissions (use of services is subject to Board approval):
- Halifax Forum Community Association
  - Dartmouth Sportsplex Community Association
  - Sackville Sports Stadium
  - Halifax Regional Municipality Centennial Arena Commission
  - Eastern Shore Recreation Commission
  - St. Margaret's Community Centre Association
  - Halifax Regional Library

HRM is responsible only for audit fees related to the entities and government programs as listed in the Budget Implications sections, however the quoted costs for all entities were consistently lower for the recommended proponent than for the other respondent. Both proponents included an annual increase, with KPMG including a 4% increase in their base fee.

### **BUDGET IMPLICATIONS**

Based on the highest scoring proponent cost of \$93,086.10 (net HST included), funding for Consolidated, Trust Funds, General Rate and Centennial Arena audits is available as follows:

Accounting Administration A321- 6301 Professional Fees	\$97,000
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The remainder of the audits are funded through the particular programs or by the Associations, Boards and Commissions.

The budget availability for the HRM 2007/08 audits has been confirmed by Financial Services. A 4% annual increase in base fee will have to be budgeted for the succeeding 4 years of the contract.

### **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**

There are no suggested alternatives

ATTACHMENTS

Appendix A - Proposal Evaluation Criteria

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

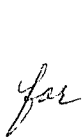

Report Prepared by: Stephen Terry, Senior Procurement Consultant, Financial Services 490-2175

Report Approved by:



Anna Marchand, Manager Accounting Operations, Financial Services 490-7222

Financial Approval by:

Catherine Sanderson, Senior Manager, Financial Services, 490-1562

APPENDIX A  
Audit Services  
PROPOSAL EVALUATION CRITERIA

	Weight	KPMG	Grant Thornton
1) Knowledge and Understanding  a) Demonstrated knowledge of the needs of HRM as an organization as well as its diverse operations. b) Experience in servicing <b>Municipal Government</b> or equivalent organizations. c) Experience in servicing multi-faceted organizations.	20	19	16
2) Quality and Comprehensiveness of Work Plan  a) Ability to deliver appropriate resources (staff). b) Ability to meet target dates for completion c) Quality and scope of audit plan as it relates to HRM and ABC needs. d) Consideration of use of internal HRM resources	25	22	19
3) Technology and Technical Competence - experience/ability to audit in a computerized environment	10	9	8
4) Local autonomy, decision making ability (Audit Partner(s))	10	9	9
5) Transition Management a) Proven ability to facilitate similar transitions in a manner transparent to the client. b) Quality and scope of transition plan as it relates to HRM and ABC needs.	5	4	3
6) Other Services a) Ability to provide additional specialized services as necessary. Eg. Sales and Local Taxes issues, management consulting services.	5	5	4
7) References	10	10	10
8) Cost  Consolidated, Trust Funds, General Rate, Centennial Arena (net HST included, excludes cost for Harbour Solution, Gas Tax and Transit funding audits)	15	15 (\$93,086)	10 (\$149,972)
Total	100	93	79