

Item No. 11.2.2
Halifax Regional Council
June 26, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original signed
RW Councillor Russell Walker, Chair, Audit and Finance Standing Committee

DATE: June 20, 2012

SUBJECT: RFP 12-019 - External Audit Services

RECOMMENDATION REPORT

ORIGIN

June 12, 2012 staff report and the June 20, 2012 Audit and Finance Standing Committee meeting.

RECOMMENDATION

It is recommended that Halifax Regional Council award RFP#12-019, Request for Cost Proposals, External Audit Services, to the lowest qualified bidder, KPMG, for a one-year term renewable for a maximum of five (5) years, as outlined in the budget implications section of the June 12, 2012 staff report.

BACKGROUND

As per the June 12, 2012 staff report attached as Attachment 1 to this report.

DISCUSSION

At their June 20, 2012 meeting, the Audit and Finance Standing Committee discussed the June 12, 2012 staff report on the RFP 12-019, External Audit Services. Following discussion on the matter, the Committee approved the staff recommendation to award RFP#12-010, Request for Cost Proposals, External Audit Services, to KPMG.

BUDGET IMPLICATIONS

As per the June 12, 2012 staff report included as Attachment 1 to this report.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

COMMUNITY ENGAGEMENT

The Audit and Finance Standing Committee meetings are open to the public.

ENVIRONMENTAL IMPLICATIONS

None Indicated.

ALTERNATIVES

1. Regional Council may choose to approve the recommendation as presented. This is not the recommended option.

ATTACHMENTS

1. June 12, 2012 staff report.

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.

Report Prepared by: Chris Newson, Legislative Assistant, 490-6732 and Sherryl Murphy, Deputy Clerk, 490-4211.



P.O. Box 1749
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Audit and Finance Standing Committee
June 20, 2012

TO: Councillor Russell Walker and Members of Audit Committee

Original signed

SUBMITTED BY: _____
Greg Keefe, A/Director of Finance & Information, Communications &
Technology/CFO

DATE: June 12, 2012

SUBJECT: RFP 12-019 - External Audit Services

ORIGIN

Section 46(1) of the Halifax Charter states that the Municipality shall appoint a municipal auditor who is registered pursuant to the Municipal Government 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 #12-019, Request for Cost Proposals, External Audit Services to the lowest qualified bidder, 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 current five (5) year contract ends with fiscal year 2011/2012.

DISCUSSION

Request for Qualifications 12-005, External Audit Services was publicly advertised on the Province of Nova Scotia Tenders webpage and closed on January 25, 2012. There were five (5) responses as follows:

PWC
Grant Thornton
Deloitte
KPMG
Ernst and Young

The statements of qualifications were reviewed by a committee comprised of members of the Audit and Finance Committee and Finance staff and facilitated by Procurement. As a result of the review, all five (5) firms who submitted were deemed qualified to provide HRM’s external audit services and were invited to respond to RFP # 12-019, Request for Cost Proposals, External Audit Services.

Cost Proposals from the proponents were evaluated based on the five (5) year cost of services and include the total audit costs for all possible entities as listed in the RFP as follows:

- HRM Consolidated Financial Statements
- Miscellaneous Trust Funds
- General Rate Surplus
- Gas Tax Revenue and Annual Expenditure Report
- Infrastructure – Compliance and Claims Audits

Year One	Current Costs	KPMG	PWC (including 3% admin. fee)	E&Y	Deloitte	Grant Thornton
Consolidated Financial Statements (including Trusts and General Rate Surplus)	\$109,732	\$76,650	\$91,302	\$109,500	\$110,543	\$156,429
Gas Tax	\$3,546	\$3,546	\$2,685	\$1,564	\$3,650	\$3,129
Compliance Audits	\$4,171	\$4,171	\$2,685	\$1,564	\$1,043	\$3,129
Infrastructure Claims	\$1,825	\$1,825	\$2,685	\$1,564	\$1,043	\$3,129
Total	\$119,274	\$86,192	\$99,358	\$114,193	\$116,279	\$165,815
Increase (decrease) from current costs		\$(33,082)	\$(19,915)	\$(5,081)	\$(2,995)	\$46,541
Ranking		1	2	3	4	5

Five Year Costs	KPMG	PWC (including 3% admin. fee)	E&Y	Deloitte	Grant Thornton
Consolidated Financial Statements (including Trusts and General Rate Surplus)	\$406,976	\$477,995	\$573,573	\$586,296	\$830,429
Gas Tax	\$18,771	\$13,964	\$8,082	\$19,293	\$16,686
Compliance Audits	\$22,135	\$13,964	\$8,082	\$5,631	\$16,686
Infrastructure Claims	\$9,646	\$13,964	\$8,082	\$5,631	\$16,686
Total	\$457,529	\$519,887	\$597,819	\$616,852	\$880,487
Ranking	1	2	3	4	5

As per the above table, there is a significant savings from current yearly costs. The five year costs shows KPMG is the lowest cost. KPMG is the recommended proponent. As KPMG is our current external auditor, there will be no transition required.

In addition, the following are the costs provided for the various Associations, Boards and Commissions consolidated into the HRM Consolidated Financial Statements.

5 Year Costs	KPMG	PWC	E&Y	Deloitte	Grant Thornton
Library	\$47,033	\$22,557	\$54,229	\$66,117	\$66,743
Centennial Arena	\$26,593	\$11,279	\$27,114	\$38,586	\$38,586
Sackville Sports Stadium	\$68,099	\$22,557	\$46,929	\$55,272	\$55,272
BMO Centre	\$47,033	\$17,186	\$41,193	\$55,272	\$55,272

Metro Park	\$28,783	\$11,279	\$35,979	\$43,904	\$44,426
Dartmouth Sportsplex	\$51,465	\$22,557	\$54,229	\$66,117	\$66,743
Halifax Forum	\$44,843	\$22,557	\$46,929	\$55,272	\$55,272
St. Margaret's Centre	\$28,783	\$17,186	\$35,979	\$38,586	\$38,586
Canada Games Centre	\$52,534	\$22,557	\$46,929	\$55,272	\$66,743
Eastern Shore	\$28,783	\$11,279	\$27,114	\$43,904	\$38,586
Metro Centre	\$77,484	\$22,557	\$101,757	\$66,117	\$77,589
Alderney Landing	\$28,783	\$11,279	\$35,979	\$50,057	\$38,586
Cole Harbour Place	\$55,324	\$17,186	\$46,929	\$55,272	\$41,402

As can be seen, there are significant differences in the costs for the audits of these entities. As the individual Boards of the Agencies, Boards and Commissions decide which external auditor they use, we will provide this information for their consideration.

Each Board will need to consider the services provided by the respective external auditors, and the costs.

**All costs include net HST

BUDGET IMPLICATIONS

The costs in the new contract have decreased by \$33,082 from the 2011/12 costs and are \$35,853 or 29% less than the amount budgeted for 2012/13.

FINANCIALMANAGEMENTPOLICIES/BUSINESSPLAN

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

COMMUNITY ENGAGEMENT

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

ALTERNATIVES

There is no recommended alternative.

ATTACHMENTS

None.

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: Louis de Montbrun, Manager of Financial Reporting, 490-7222

Original signed

Report Approved by:

Anne Feist, Manager of Procurement, 490-4200
