Minute No. 414
Report – Executive Policy Committee – May 4, 2005

Item No. 3 **External Auditor Contract**
File FA-2

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That Ernst & Young LLP be re-appointed as external auditor and the Agreement with Ernst & Young LLP for Attest Audit Services be extended for the years ending December 31, 2005 through December 31, 2009 at an estimated cost of $170,000 in 2005, GST and PST extra as applicable, increasing thereafter by changes in the Consumer Price Index.

2. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Report – Executive Policy Committee – May 4, 2005

COUNCIL DECISION:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 4, 2005, the Executive Policy Committee concurred in the Audit Committee recommendation and submitted the matter to Council.

AUDIT COMMITTEE RECOMMENDATION:

On April 26, 2005, the Audit Committee concurred in the administrative recommendation and submitted its recommendation to the Executive Policy Committee.

ADMINISTRATIVE REPORT

RE: AUDIT CONTRACT

FOR SUBMISSION TO: **Audit Committee**

ORIGINAL REPORT SIGNED BY: **Chief Financial Officer**

REPORT DATE: **April 21, 2005**

RECOMMENDATION(s):

That Ernst & Young LLP be re-appointed as external auditor and the Agreement with Ernst & Young LLP for Attest Audit Services be extended for the years ending December 31, 2005 through December 31, 2009 at an estimated cost of $170,000 in 2005, GST and PST extra as applicable, increasing thereafter by changes in the Consumer Price Index.

That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

The current contract with Ernst & Young for audit services expired on December 31, 2004.

Implications of the Recommendation(s):

General Implications:

- ☐ None
- ☐ For the organization overall and/or for other departments
- ☐ For the community and/or organizations external to the City
- **X** Involves a multi-year contract
  Comment(s):

Policy Implications:

X No

☐ Yes
Comment(s):

Environmental Implications:

X No

☐ Yes
Comment(s):

Human Resources Implications:

X No

☐ Yes
Comment(s):

Financial Implications:

☐ Within approved current and/or capital budget

X Current and/or capital budget adjustment required
Comment(s): Audit fees for the City of Winnipeg, in total, increase by $25,800 in 2005 and by CPI thereafter.

REASON FOR THE REPORT:

Council approval is required to appoint an external auditor and to extend the contract for external audit services for the years ended December 31, 2005 through December 31, 2009.

HISTORY:

On June 21, 2000 Council adopted Clause 8 of the Report of the Executive Policy Committee which motion was passed by the Audit Committee on June 13, 2000, that recommended the appointment of Ernst & Young as the City's External Auditor for a five year term for the years ending December 31, 2000 - 2004 inclusive, with an option to renew the appointment for a further five years at the sole discretion of the City.

DISCUSSION:

Ernst & Young have proposed audit fees for The City of Winnipeg totalling $170,000 for the December 31, 2005 year-end. Fees in the following years (2006-2009) will be $170,000 plus a cost of living adjustment based on increases in the Consumer Price Index. It is the City of Winnipeg's opinion that Ernst & Young have the necessary skills and resources to provide the audit services required.

Ernst & Young will provide $80,000 of their time, based on hours incurred and rates for special services, for which there will be no additional cost to the City over the period of the contract. To the extent this time is not fully utilized over the five year term, Ernst & Young will credit the balance against their audit fees in the final year of the contract.

All fees include administrative charges and out of pocket costs, but exclude the 7% GST and 7% PST.

Additional fees of $10,000 are proposed for the first year that audit services are required with respect to the Winnipeg Parking Authority SOA, reducing to $8,500 thereafter.

Unless covered by the "no-cost" offer noted above, Ernst & Young will provide on request, synergistic services based on a 25% discount from their standard rates for special services.

Analysis of Fees

Entity	Proposed Fees	Current Fees
City	110,000	120,000
Animal	8,500	*
Ambulance	8,500	*
Glacial Sand & Gravel	8,500	6,000
Golf Services	8,500	6,000
Fleet	8,500	10,000
Library	8,500	*
Grants	5,000	*
Due Diligence	2,000	*
Bill 57 – Compensation Disclosure	2,000	2,200
Total	170,000	144,200

* Included in "City"

Financial Impact Statement:

Project Name: Audit Contract
Date: April 21, 2005 First Year of Program **2005**

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 170,000	$ 173,200	$ 176,700	$ 180,200	$ 183,800
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 170,000	$ 173,200	$ 176,700	$ 180,200	$ 183,800
Less: Existing Budget Amounts	144,200	144,200	144,200	144,200	144,200
Net Budget Adjustment Required	$ 25,800	$ 29,000	$ 32,500	$ 36,000	$ 39,600

Additional Comments: The above annual audit costs include annual CPI increases based on The Conference Board of Canada's most current report for Winnipeg. However, they do not include taxes (GST and PST) or fees for the audit of the Winnipeg Parking Authority SOA. Ernst & Young has proposed additional fees of $10,000 for the first year that audit services are required with respect to the Winnipeg Parking Authority SOA, reducing to $8,500 annually thereafter.

Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

THIS REPORT SUBMITTED BY:
Corporate Finance
Corporate Controller's Division
Prepared by: Mike Ruta, Corporate Controller
File No.