Minute No. 513
Report – Executive Policy Committee – July 14, 2010

Item No. 18 **Award of Contract for External Audit Services – Request For Proposal 110-2010B**
eFile FA-2

COUNCIL DECISION:

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

1. That a contract for external audit services for fiscal years 2010 to 2014 solicited under Request For Proposal 110-2010B be awarded to KPMG LLP for a total of $798,545 (plus MRST and GST as applicable).

2. That Council approval be required to extend the contract for an additional five years if it is determined to be in the best interest of the City.

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

Report – Executive Policy Committee – July 14, 2010

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 14, 2010, the Executive Policy Committee concurred in the recommendation of the Audit Committee and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On July 6, 2010, the Audit Committee concurred in the recommendation of the Winnipeg Public Service, as amended, and recommends to the Executive Policy Committee and Council:

1. That a contract for external audit services for fiscal years 2010 to 2014 solicited under Request For Proposal ("RFP") 110-2010B be awarded to KPMG LLP for a total of $798,545 (plus MRST and GST as applicable).

2. That Council approval be required to extend the contract for an additional five years if it is determined to be in the best interest of the City.

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

ADMINISTRATIVE REPORT

Title: **Award of Contract for External Audit Services – Request For Proposal 110-2010B**

Issue:

Critical Path: **Audit Committee – Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	M. Ruta	M. Ruta	P Sheegl, Acting CAO

RECOMMENDATIONS

1. That a contract for external audit services for fiscal years 2010 to 2014 solicited under Request For Proposal ("RFP") 110-2010B be awarded to KPMG LLP for a total of $798,545 (plus MRST and GST as applicable);
2. That the Chief Administrative Officer be delegated the authority to extend the contract for an additional five years if it is determined to be in the best interests of the City; and
3. That the Proper Officers do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Section 100 of The City of Winnipeg Charter Act (the "Act") directs the Chief Financial Officer to prepare annual financial statements for submission to City Council and to the Province of Manitoba. Section 105(1) of the Act further directs the City Auditor ensure that a proper and complete audit of the consolidated financial statements of the City of Winnipeg is made. In satisfaction thereof, Section 107 (2) of the Act authorizes Council to assign the audit of the City of Winnipeg to an external auditor.

IMPLICATIONS OF THE RECOMMENDATION

KPMG LLP will deliver the external audit services detailed in Appendix 1 for a total cost of $798,545 (plus MRST and GST as applicable).

Funds for this work are included in various 2010 tax-support, utility and special operating agency budgets. The work to be completed for fiscal years ending 2011 through 2014 will be accommodated through future operating budget approvals for those specific years.

HISTORY

On June 21, 2000 City 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 LLP 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.

On May 18, 2005, City Council approved 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.

A three stage bid process was employed. Following Audit Committee's approval to establish a selection committee to conduct a procurement process for external audit services, in February, 2010, along with local newspaper advertising of the opportunity, a Request For Qualification ("RFQ") 110-2010 was posted on the Materials Management Bid Opportunities webpage and was issued to eight professional accounting firms with the intent of prequalifying up to four proponents to advance to the RFP stage.

An evaluation framework was utilized by selection committee members to individually score the submissions, followed by consensus scoring for the selection committee. A minimum score of 70% was required in order to be considered for the RFP stage. Three firms were prequalified:

Deloitte & Touche LLP
Ernst & Young LLP
KPMG LLP

RFP 110-2010B was provided to these three firms for their consideration. Responses to RFP 110-2010B were received in April 2010 and interviews of the firms and evaluation of the firms' RFP submissions taking place through May 2010. Evaluation criteria consisted of the following, as per the specifications of the RFP:

Stage 1

• Compliance with requirements of RFP	Pass/Fail
• Experience, qualifications and proposed team	40%
• Audit Approach and Work Plan	10%
• Understanding of The City of Winnipeg and Audit Objectives	5%
• Proposal and Presentation	5%

Stage 2

- Fees and other Service Value 40%

Stage 1 evaluation required a score of greater than 70% at which point the proponents bid price would be evaluated and included to determine the overall evaluation score.

In accordance with the RFP, the award of contract is recommended to be made to the responsible and qualified proponent whose proposal is determined to be the most advantageous to the City. KPMG LLP's proposal received the highest total weighted score which included the lowest bid price for services. The total fees bid for 2010 are 26% lower than the external audit fees estimated for 2009. KPMG LLP has also proposed increased added value service to the City, acknowledging that in conjunction with the execution of the external audit, the City desires opportunities be identified as part of delivering value-added services.

It is the Corporate Finance Department's opinion that the recommended firm has the skills and resources to satisfactorily complete the work.

RFP 110-2010B provides the City with the option of one mutually agreed upon extension.

The bids are valid and open for acceptance until July 22, 2010.

The requirement for bid and performance securities and the execution of a formal contract have been waived for this purchase in accordance with the authority delegated to the Manager of Materials pursuant to Administrative Standard FM-002.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 2, 2010

Project Name:

Award of Contract for External Audit Services - RFP 110-2010B

First Year of Program **2010**

	2010	2011	2012	2013	2014
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	$ 153,500	$ 156,570	$ 159,900	$ 162,925	$ 165,650
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 153,500	$ 156,570	$ 159,900	$ 162,925	$ 165,650
Less: Existing Budget Amounts	206,000	210,000	214,000	219,000	223,000
Net Budget Adjustment Required	$ (52,500)	$ (53,430)	$ (54,100)	$ (56,075)	$ (57,350)

Additional Comments: For current expenditures beyond 2010, it assumes that Council will approve budgets to fund the related audit costs.

Original signed by Paul Olafson
Corporate Controller

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department (as to legal issues)

Materials Management Division

Audit Department

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Paul Olafson
Date: June 4, 2010
File No.

Appendix 1
Audit Reports from External
Audit Services Contract

Audit reports on:

Consolidated Financial Statements of The City of Winnipeg
Financial Statements of Animal Services, Special Operating Agency
Financial Statements of Golf Services, Special Operating Agency
Financial Statements of Fleet Management, Special Operating Agency
Financial Statements of Winnipeg Parking Authority, Special Operating Agency
Financial Statements of Council Pension Plan (By-law No. 7869/2001)
Statement of Operations of City of Winnipeg Emergency Response and Inter-Facility Transfer Service
Statement of Revenues and Expenses of Library Services Division
Annual Expenditure Report of The City of Winnipeg Gas Tax Fund
Annual Expenditure Report of The City of Winnipeg Public Transit Fund
Annual Expenditure Report of The City of Winnipeg Public Transit Capital Trust
Compliance with Criteria Established by Agreement of The City of Winnipeg Gas Tax Fund
Compliance with Criteria Established by Agreement of The City of Winnipeg Public Transit Fund
Compliance with Criteria Established by Agreement of The City of Winnipeg Public Transit Capital Trust
Summary of Costs – Winnipeg Wastewater Treatment Upgrades Project
Bill 57 Compensation Disclosure
General Support Grant Reconciliation Statement
Memoranda of Agreement between The City of Winnipeg and Specific Bargaining Agent