

Minutes – Executive Policy Committee – September 21, 2020

AUDIT COMMITTEE

**Item No. 2 Award of Contract for External Audit Services – Request for
Proposal 404-2020**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the City award, enter into, execute and deliver a contract for External Audit Services for fiscal years 2020-2024 pursuant to Request for Proposal 404-2020 with KPMG LLP in the amount of \$1,153,450 (excluding GST and MRST).
2. That the Proper Officer of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Yea:	Bowman, Allard, Browaty, Gillingham, Gilroy, Mayes, Rollins	7
Nay:		0

Carried

ADMINISTRATIVE REPORT

Title: Award of Contract for External Audit Services – Request for Proposal 404-2020

Critical Path: Audit Committee –Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	P. Olafson	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

External Audit Services are utilized to provide annual audits of financial statements or other financial information required under The City of Winnipeg Charter Act or by Council. This report recommends the award of contract to KPMG LLP being the proponent to Request for Proposal (“RFP”) 404-2020 ‘External Audit Services’ submitting the most advantageous offer in the amount of \$1,153,450. This contract is for the fiscal years 2020 through 2024 inclusive with the option of an extension for an additional five years.

The Recommendations included in this Report comply with the requirements of the various trade agreements and the City’s Materials Management Policy.

RECOMMENDATIONS

1. That the City award, enter into, execute and deliver a contract for External Audit Services for fiscal years 2020-2024 pursuant to Request for Proposal 404-2020 with KPMG LLP in the amount of \$1,153,450 (excluding GST and MRST).
2. That the Proper Officer of the City be authorized to 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 RECOMMENDATIONS

KPMG LLP will deliver the external audit services detailed in Appendix 1 for a total cost of \$1,153,450 (excluding applicable taxes).

Funds for this work are included every year in various tax-support, utility and special operating agency budgets and are included in the forecasted budgets.

HISTORY/DISCUSSION

On July 21, 2010 City Council approved the award of Contract for External Audit Services to KPMG LLP for a five-year term for the years ending December 31, 2010 - 2014 inclusive, with an option to renew the appointment for a further five years at the sole discretion of the City.

On June 17, 2015, City Council approved that KPMG LLP be re-appointed as external auditor and the agreement with KPMG LLP for external audit services be extended for the years ending December 31, 2015 through December 31, 2019 in the amount of \$979,150.

On July 16, 2020 the Request for Proposal was issued to MERX, and a virtual bidders conference held on July 22, 2020. Bids closed on August 14, 2020.

RFP 404-2020 allowed Proponents to respond with proposals. An evaluation framework was utilized by selection committee members to individually score the submissions, followed by consensus scoring for the selection committee.

Bids were evaluated based on the following evaluation criteria as defined in B23 of the RFP:

RFP Evaluation Criteria	Points	KPMG LLP*	Bidder 2*
Compliance	Pass/Fail	Pass	Pass
Qualifications	Pass/Fail	Pass	**
Evaluated Price		\$1,043,450	\$ 1,156,853
Fees	40	40.00	36.08
Experience of Proponent and Subconsultant	30	27.50	16.42
Experience of Key Personnel Assigned to the Project	15	13.48	10.40
Understanding of City of Winnipeg and Audit Objectives	5	3.56	3.24
Audit Approach and Work Plan	10	9.57	8.12
Total Evaluation Score (out of 100)	100	94.11	74.26

*Certain information is removed to protect the confidentiality of the Proponents' proposals

**Qualifications included in B17 are verified only for the recommended Proponent.

The award of contract is made to the responsible and qualified proponent whose proposal is determined to be the most advantageous to the City. KPMG LLP proposal received the highest total weighted score of 94.11 which also included the lowest evaluated price.

As specified in the RFP, the evaluated price included a deduction from the award value for any 'Other Service Value' included in a bidder's proposal to be provided to the City at no extra cost. The award value in the report recommendations of \$1,153,450 does not include this deduction. KPMG's proposal included a total of \$110,000 in Other Service Value with \$30,000 in 2020, and \$20,000 annually thereafter upon which the City can draw for additional service requirements. For clarity, the amount of \$1,043,450 in the RFP Evaluation Criteria table above is net of Other Service Value.

In comparison to the 2015 award value of \$979,150, it is noted that some audits have been added to the scope of the RFP for items such as the audit of Financial Statements for the Sinking Fund Trustees of the City of Winnipeg as well as for the Group Life Insurance Plans. In addition, certain audits have been removed since 2015 such as the audit of the Province of Manitoba Transit Operating Grant, and Annual Summary of Eligible Expenditures of the Waverley West Arterial Roads Project.

The Proposal also includes hourly rates for other assurance service needs that arise, such as requirements under new funding agreements entered into with senior governments. It is not unusual for these agreements to require filing audited financial statements. These rates do not change over the five-year period.

In the opinion of the Department the proposed contractor has the skills and resources to satisfactorily complete the Work.

The requirements for Bid and Performance Security and the execution of a formal contract were waived by the Manager of Materials for this purchase in accordance with the authority delegated to the Manager of Materials pursuant to Administrative Standard FM-002.

The Proposals are valid and open for acceptance until November 12, 2020.

FINANCIAL IMPACT**Financial Impact Statement****Date:** August 28, 2020**Project Name:****First Year of Program****2020**

Award of Contract for External Audit Services, RFP 404-2020

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Capital					
Capital Expenditures Required	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funding Sources:					
Debt - Internal	\$ -	\$ -	\$ -	\$ -	\$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Additional Capital Budget Required	<u>\$ -</u>				
Total Additional Debt Required	<u>\$ -</u>				
Current Expenditures/Revenues					
Direct Costs	\$ 237,112	\$ 241,820	\$ 246,796	\$ 251,771	\$ 256,693
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	<u>\$ 237,112</u>	<u>\$ 241,820</u>	<u>\$ 246,796</u>	<u>\$ 251,771</u>	<u>\$ 256,693</u>
Less: Existing Budget Amounts	237,112	241,820	246,796	251,771	256,693
Net Budget Adjustment Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Comments: Direct costs reflect total award value of \$1,153,450 plus MRST of \$80,741.50 on an annual basis as submitted by the recommended bidder for 2020 through 2024. Funds for this work are included in the Annual Operating budget for the Corporate Accounts as well as various departmental budgets. Budgets for 2021 through 2024 are not yet approved by Council.					

original signed by

Tanis Yanchishyn, CPA, CA
 Manager of Finance (Campus)
 Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

N/A

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1 Provide Efficient and Focused Civic Administration and Governance.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance Department
Division: Corporate Controller's Division
Prepared by: Jason Ruby
Date: August 28, 2020

ATTACHMENTS:

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)
- Financial Statements of the Sinking Fund Trustees of the City of Winnipeg
- Financial Statements of the City of Winnipeg Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan
- Statement of Operations of Emergency Medical Response, Inter-Facility Transfer and Community Paramedicine Services
- Statement of Revenues and Expenses of Library Services Division
- Annual Expenditure Report of The City of Winnipeg Gas Tax Fund
- Compliance with Criteria Established by Agreement of The City of Winnipeg Gas Tax Fund
- Bill 57 Compensation Disclosure
- Memoranda of Agreement between The City of Winnipeg and Specific Bargaining Agent
- Statement of Revenues and Expenses of Winnipeg Police Services
- Statement of Revenues and Expenses of The Winnipeg Police Board