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**STAFF REPORT: Finance & IT Services**



**REPORT TO:** Council  
**MEETING DATE:** August 27, 2012  
**REPORT NO.:** FIT.12.51  
**SUBJECT:** Award of Proposal for External Audit Services - 2012-33-P-FIT  
**PREPARED BY:** Renee Ouellette, Financial Accountant and Robert Cummings, Director of Finance & IT Services on behalf of the Tender Proposal Award Committee (TPAC)

**A. Recommendations**

THAT Council receive Staff Report FIT.12.51 “Award of Proposal for External Audit Services - 2012-33-P-FIT”;

THAT Council award the contract for External Audit Services to KPMG LLP for a 5-year term, at a total cost as follows:

Fiscal year ended annual fees (excluding H.S.T.)  
 2012 \$36,300 (firm)  
 2013 \$37,200 (firm)  
 2014 \$38,125 (estimate)  
 2015 \$39,183 (estimate)  
 2016 \$40,300 (estimate)

AND THAT that the Mayor and Clerk be authorized to execute the agreement; and

THAT Council authorize the Director of Finance & IT Services and the Manager of Purchasing to conduct the price negotiations with KPMG LLP for the fiscal years 2014 to 2016.

**B. Background**

The Town’s Purchasing of Goods and Services Policy POL.COR.07.05, as amended, requires competitive bidding for many of its services. The Town has not gone to market for audit services for some time now and it is important for the Town to comply with the policy to ensure and promote the accountability of the Town.

BDO Canada has provided adequate audit services to the Town over the years and Town staff is thankful for and recognizes the past strong working relationship.

## Proposal Process

The Town issued the above noted Request for Proposal on July 11, 2012 by advertising the bid on the Town's website and the OPBA website. The bid document was picked up by seven interested vendors. Two addenda were issued on the project and the bid closed on Thursday, August 9, 2012. Bid submissions were received from four vendors: Gaviller & Company LLP, BDO Canada LLP, Grant Thornton LLP and KPMG LLP.

Evaluations of the vendor's proposals were conducted using a consensus approach with a team of four staff members including the Manager of Purchasing.

Proponents were scored on the submitted proposals according to the following weighting:

<b>Rated Criteria</b>	<b>Maximum Points (Weight)</b>
<b>1<sup>st</sup> Phase of Scoring</b>	
Company Profile	5
Experience	25
Audit Approach & Audit Schedule	30
Value Added – Advisory Services	10
References	5
<b>2<sup>nd</sup> Phase of Scoring</b>	
Fees and Expenses	25
<b>Total Weighted Points</b>	<b>100</b>

The scoring criteria reflected the Town's objective to provide high quality, timely financial services to the public and key stakeholders in the most cost efficient and effective manner.

In the two step process, the 2<sup>nd</sup> phase Fee Proposal Envelope was not opened until evaluation of the 1<sup>st</sup> phase of scoring was completed.

The Proposal indicated that a presentation would be required of the 2 highest scoring proponents following the evaluations. The highest scoring proponents BDO Canada LLP and KPMG LLP were requested to present their proposals. Both respondents were provided with a list of questions by the evaluating team that were answered at the presentations.

Presentations were scored based on the following criteria:

<b>Criteria Category</b>	<b>Weighted Points</b>
Presentation	40
Response to Questions	60
<b>Total Weighted Points</b>	<b>100</b>

The score from the Proposal evaluations and the Interview were combined to determine an overall score, in accordance with the Proposal bid documents.

### Proposal Results

All 4 respondents have extensive past and present public sector client bases. The highest scoring proponents, BDO Canada LLP and KPMG LLP both presented an effective overview of the proposed audit services and alignment to Town objectives as outlined in rated criteria.

The evaluating team is recommending the award be made to KPMG LLP who scored the highest in the overall evaluation process at a total cost of \$191,108 over five years. KPMG is recognized for its values, approach to service delivery and commitment to quality that align with Town objectives. KPMG understands the business of the Town, key issues and all of the audit requirements.

The KPMG Waterloo office will be responsible for the provision of audit services with Matthew Betik, CA as the Lead Engagement Partner. KPMG is wholly committed to servicing the Town as a local audit, providing high quality service and access to a variety of audit and advisory resources.

The proposal process was conducted in compliance with the Town's Purchasing of Goods and Services Policy POL.COR.07.05 and Purchasing of Goods and Services Procedures FS.08.08.

### **C. The Blue Mountains' Strategic Plan**

Providing a strong, well managed municipal government.

### **D. Environmental Impacts**

NA

### **E. Financial Impact**

Section 296 of the *Municipal Act, 2001* allows for the appointment of external auditors for a term of five years or less. Audit services and the terms of this agreement will be binding on for the period of five (5) years, beginning the December 31, 2012 fiscal year.

The cost of external audit services will be incurred annually, over a five year period. As outlined below, pricing will be firm for the first two years and estimated for the remaining three years based on no changes in audit requirements.

Annual Audit Fees (excluding H.S.T.)

Annual audit of the Consolidated Financial Statements for the:	2012 (Firm)	2013 (Firm)	2014 (Estimate)	2015 (Estimate)	2016 (Estimate)	Grand Total
Town	\$29,600	\$30,340	\$31,100	\$31,900	\$32,700	<b>\$155,640</b>
Library	2,500	2,550	2,600	2,700	2,800	<b>13,150</b>
Museum	1,000	1,025	1,050	1,100	1,150	<b>5,325</b>
Trust Funds	1,000	1,050	1,050	1,100	1,150	<b>5,325</b>
Gas Tax Funds	2,200	2,260	2,325	2,383	2,500	<b>11,668</b>
<b>Total</b>	<b>\$36,300</b>	<b>\$37,200</b>	<b>\$38,125</b>	<b>\$39,183</b>	<b>\$40,300</b>	<b>\$191,108</b>

The award will result in a cost savings of approximately \$13,200 per year or \$66,000 over 5 years, resulting from the difference between prior year audit fees of \$49,500 and the 2012 proposed KPMG fees of \$36,300. The 2013 budget will be reviewed to reflect the indicated cost savings. The budget for audit fees has previously been set at approximately \$60,000, accounting for both financial statement audit reviews and audits resulting from municipal funds or claims.

Costs and evaluation of services will be reviewed annually as part of the budget process.

**F. In Consultation With**

NA

**G. Attached**

There are no attachments.

Respectfully submitted,

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Renee Ouellette, Financial Accountant

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Robert Cummings, Director of Finance & IT Services

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We the undersigned of the Tender Proposal Award Committee, by way of our signatures, recommend the award as stated in this report.

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Troy Speck, CAO

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Robert Cummings  
Director of Finance & IT  
Services

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Sherri Adams  
Manager of Purchasing

For more information, please contact:  
Renee Ouellette, Financial Accountant  
rouellette@thebluemountains.ca  
519-599-3131 ext. 250