TO: Mayor and Members
General Issues Committee

WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: June 20, 2012

SUBJECT/REPORT NO:
Selection of External Auditor for Fiscal Years 2012 to 2016 (FCS12001) (City Wide)

SUBMITTED BY:
Antonio D. Tollis
Treasurer
Corporate Services Department

PREPARED BY:
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SIGNATURE:

COUNCIL DIRECTION:
Not Applicable.

INFORMATION:
That report FCS12001 “Selection of External Auditor for Fiscal Years 2012 to 2016” be received for information.

EXECUTIVE SUMMARY:

- A Request for Proposal (“RFP”) for External Audit Services with City of Hamilton was issued to obtain an independent external auditor for various audits for fiscal year 2012 to fiscal year 2016.

- RFP C12-12-11 was issued on November 25, 2011.

- The closing date for submissions was January 20, 2012.

- A two-step process was used for the RFP for External Audit Services.
• Step 1 - Technical Proposal:
  Information included the evaluation criteria of:
  I. Proponent’s Understanding of Services
  II. Proponent Profile, Experience & Qualifications
  III. Proponent Audit Team Technical Expertise and Knowledge
  IV. Audit Strategies and Methodologies

• Step 2 - Cost Proposal:
  Pricing Information was required for the various City of Hamilton Audits.

• In the two step process, the Step 2 Cost Proposal envelope is not opened until
  evaluation of the Step 1 Technical Proposal is completed.

• Step 2 Envelopes are only opened if the proponent receives a score on the Step 1
  Technical Proposal of 80% or greater.

• Five (5) proposals were received. Proposals were received from Grant Thornton,
  Deloitte & Touche, KPMG, Pricewaterhouse Coopers and Millard, Rouse &
  Rosebrugh. No proponents were disqualified.

• Proposals were reviewed and evaluated by staff according to the criteria in the RFP
  document.

• Three Proposals passed Step 1. Proposals from Grant Thornton, Deloitte & Touche
  and KPMG were excellent and scored above the 80% benchmark.

• Step 2 Cost Proposal envelopes were opened. Contact prices are fixed for the 5
  year term of the contract unless there are changes to audit requirements. Annual
  contract prices received for fiscal year 2012 are:

  o KPMG: $225,000
  o Grant Thornton: $249,900
  o Deloitte: $258,900

• Therefore, KPMG will be awarded the City’s contract for External Audit Services for
  fiscal years 2012 to 2016.

• The savings in audit fees for the City of Hamilton and its related entities are
  approximately $60,000 annually.
SUMMARY OF TECHNICAL PROPOSALS (STEP 1):

All three firms that passed Step 1 have excellent experience and expertise in municipal and not-for-profit audits with entities that are comparable to the City of Hamilton and its related entities.

A summary of the evaluation of the proposal received from KPMG follows:

I. Proponent’s Understanding of Services
KPMG understands the business of the City and its related entities, key issues and all of the audit requirements.

II. Proponent’s Profile, Experience & Qualifications
KPMG is an international accounting and auditing firm with significant Canadian operations.

KPMG’s Profile, Experience & Qualification includes:

- Operates in 146 countries and employs 140,000 people with 7,900 partners including 33 offices in Canada with 5,200 people.
- Municipal audits include the Regions of Halton, Niagara and Peel, Cities of London, Windsor, Waterloo, Kitchener and Brampton and a number of cities and towns in Ontario.
- Past auditor for City of Hamilton and Region of Hamilton-Wentworth
- Plans to service the City from the Hamilton/Niagara offices.

III. Technical Expertise and Knowledge of Audit Team
KPMG has partners, concurring partners, senior managers and staff with excellent municipal experience.

KPMG’s team includes:

- Lead Partner for City Audit has 37 yrs municipal and private experience including 2 years on past City/Region audit
- Lead Partner for audits of related entities has 14 yrs municipal and private experience including 2 years on past City/Region audit
- Concurring Quality Review Partner has 30 years municipal and not-for-profit experience; including 2 years on past City/Region audit; Chair of KPMG Southwestern Ontario Local Government Services Group
- Audit Senior Manager has 30 yrs of municipal and not-for-profit experience; developed CICA course on Local Government Financial Reporting
- Audit Manager/Senior Accountants have 3 to 5 years of experience
IV. Audit Strategies and Methodologies

KPMG has proven audit strategies and methodologies of a qualified large international audit firm. Risk based audit strategies with electronic audit software are utilized and emphasis is placed on communication with staff and oversight bodies.

SUMMARY OF COST PROPOSALS (STEP 2):

Contact prices are fixed for the 5 year term of the contract unless there are changes to audit requirements. Annual contract prices received for fiscal year 2012 are:

- KPMG: $225,000
- Grant Thornton: $249,900
- Deloitte: $258,900

SELECTION OF EXTERNAL AUDITOR FOR FISCAL YEARS 2012 TO 2016:

KPMG will be awarded the City's contract for External Audit Services for audits of fiscal years 2012 to 2016.