SUBJECT: Appointment to External Audit Services Sub-Committee
(FCS06046/CM06013) (City Wide)

RECOMMENDATION:

That three (3) members of the Strategic Planning and Budgets Committee and one (1) member of the Board of Directors of Hamilton Utilities Corporation be appointed to serve on the External Audit Services Sub-Committee.
EXECUTIVE SUMMARY:

As the five-year term of the City’s external auditor expires with the 2005 fiscal year, it is necessary to select and appoint external auditors for the 2006 to 2010 fiscal years. Hamilton Utilities Corporation (HUC) has agreed to work collaboratively with the City in the proposed Request for Proposal (RFP) for their external audit services. The successful proponent will be recommended to Council and HUC by an External Audit Services Sub-Committee consisting of three (3) members of the Strategic Planning and Budgets Committee (SP&B) and one (1) member of the Board of Directors for HUC.

BACKGROUND:

The current Municipal Act provides for municipalities to appoint the municipal auditors for a term not to exceed five (5) years. The contract with the City’s current external auditors, Grant Thornton, expires with their completion of the audit for the year ended December 31, 2005. It is necessary to select and appoint auditors for subsequent years. While HUC is not subject to the provisions of the Municipal Act, as directed by Council, we are including HUC in this RFP.

ANALYSIS/RATIONALE:

In order to select and appoint auditors, a Request for Proposal (RFP) will be issued to appropriate firms from the City’s bidders’ list as well as being advertised on the City’s and HUC’s websites. Since City Council is ultimately required to approve the appointment of an external auditor for HUC, it is recommended, for the sake of consistency and efficiency, to have HUC participate in the City’s RFP process as well.

Due to the significant amount of time and effort associated with such an undertaking, it is important to begin as soon as possible. It is anticipated that a recommendation will be provided to Council for a successful proponent by the end of July, 2006. Therefore, an External Audit Services Sub-Committee is required to hear presentations from the short list of candidates and make a recommendation for the appointment of external auditors to Council. Staff are recommending a Sub-Committee consisting of three (3) members of the Strategic Planning and Budgets Committee (which acts as the Audit Committee through which the external auditors report) plus one (1) member of the Board of Directors of Hamilton Utilities Corporation to provide for its interests.

ALTERNATIVES FOR CONSIDERATION:

1. That Committee rely entirely on the short listing exercise of staff to determine the successful proponent. Staff are not recommending this alternative as participation of political representatives to which the external auditors will report adds value to the exercise.
2. That no RFP is issued and the current auditors be reappointed. Thus, no sub-committee would be required. This alternative is not recommended as it might impair public perception of a transparent and competitive procurement process.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial**
There are no financial implications resulting from the approval of this report although the eventual selection of external auditors may result in service enhancements, efficiencies and fee savings. Audit fees are provided for each year in the operating budgets of the various entities to be audited.

*Staff*
None.

*Legal*
None.

**POLICIES AFFECTING PROPOSAL:**

None.

**RELEVANT CONSULTATION:**

City staff met with HUC staff to commence a collaborative process for the appointment of external auditors. Other related entities that will be a part of the RFP process have also been informed.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

Community well-being is enhanced with taxpayers’ and stakeholders’ confidence in annual results as reflected by audited financial statements.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The City Council’s strategic commitment to “Best Practices – Best Value” under “A City That Spends Wisely and Invests Strategically” is addressed through the audit of financial statements performed by independent third parties.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No