



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 14.2.1
Halifax Regional Council
January 30, 2018

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: _____
Councilor Bill Karsten, Chair, Audit and Finance Standing Committee

DATE: January 23, 2018

SUBJECT: RFP 17-380 – External Audit Services

ORIGIN

Motion passed by the Audit and Finance Standing Committee at a meeting held on January 22, 2018.

LEGISLATIVE AUTHORITY

Section 3(a) of the Standing Committee's Terms of Reference – "The Audit and Finance Standing Committee shall review the qualifications, independence, quality of service and performance of the External Auditors annually and recommend to the Council the appointment or discharge of the External Auditors."

RECOMMENDATION

The Audit and Finance Standing Committee recommend Council award of RFP 17-380 - External Audit Services to the sole bidder, KPMG, for a one-year term renewable for a maximum of five (5) years.

BACKGROUND

A staff report pertaining to this matter was submitted to the Audit and Finance Standing Committee's meeting of January 22, 2018.

DISCUSSION

The Standing Committee considered the matter and passed a motion approving the staff recommendation as noted above.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the attached staff report dated January 17, 2018.

RISK CONSIDERATION

Staff have advised there are no risk considerations associated with this recommendation.

COMMUNITY ENGAGEMENT

The Audit and Finance Standing Committee meetings are open to public attendance, a live webcast is provided of the meeting, and members of the public are invited to address the Committee for up to five minutes at the end of each meeting during the Public Participation portion of the meeting. The agenda, reports, minutes, and meeting video of the Audit & Finance Standing Committee are posted on Halifax.ca

ENVIRONMENTAL IMPLICATIONS

None.

ALTERNATIVES

The Standing Committee did not provide alternatives.

ATTACHMENTS

Attachment 1: Staff report dated January 17, 2018.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Sheilagh Edmonds, Legislative Assistant, Municipal Clerk's Office 902.490.6520



P.O. Box 1749
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Item No.
Audit and Finance Standing Committee
January 22, 2018

TO: Chair and Members of Audit and Finance Standing Committee

SUBMITTED BY: Original Signed

Jerry Blackwood, Acting CFO/Director, Finance and Asset Management

DATE: January 17, 2018

SUBJECT: **RFP 17-380 – External Audit Services**

ORIGIN

Award of contract for External Audit Services at an interval of not greater than 5 years.

LEGISLATIVE AUTHORITY

Section 46(1) of the *HRM Charter* states that the Council shall appoint a municipal auditor who is registered pursuant to the Municipal Government Act to be the Auditor for the Municipality.

HRM Administrative Order 2016-005-ADM

- Section 33(1): the auditor will be acquired by a standard method of procurement at intervals not greater than every 5 years.
- Section 33(2): the contract shall be for a 1 year term to be renewed on an annual basis up to a 5 year maximum, on terms satisfactory to the Municipality.
- Section 33(3): selection of an external financial auditor shall be completed by the Audit and Finance Standing Committee of Council who shall recommend the selection of an External Auditor to Council.
- Section 33(4): annual renewal of the contract shall be made by the Audit and Finance Standing Committee.
- Section 36(1): Council may make an award of a contract resulting from a Request for Proposal in any amount.
- Section 37(2): the Manager of Procurement may execute a procurement contract on behalf of the Municipality where the vendor is bound to the Municipality's standard terms & conditions.

RECOMMENDATION

It is recommended that the Audit Committee recommend that Council award of RFP 17-380 - External Audit Services to the sole bidder, KPMG, for a one-year term renewable for a maximum of five (5) years.

BACKGROUND

KPMG has been HRM's auditor since July 2001. The current five (5) year contract ended with fiscal year 2016/2017.

DISCUSSION

Request for Proposals 17-380 - External Audit Services was publicly advertised on the Province of Nova Scotia Tenders webpage on December 6, 2017 and closed on January 3, 2018. KPMG was the only respondent. Per section 3.3.1 of Part 3 to RFP 17-380 and section 2 of Appendix D to the RFP, KPMG is required to execute HRM's form of agreement found at Appendix B to RFP 17-380.

A two-step process was used with the respondent requiring to meet the technical qualifications prior to their cost proposal being reviewed. KPMG's proposal met the technical qualification and was deemed qualified to provide HRM's external audit services and their Cost Proposal was reviewed.

Their Cost Proposal was evaluated based on the five (5) year cost of services and includes the total audit costs for all possible entities as listed in the RFP as follows:

- HRM Consolidated Financial Statements
- Miscellaneous Trust Funds
- General Rate Surplus

KPMG	2017	2013 - 2017 Total	2018	2019	2020	2021	2022	2018-2022 Total
Consolidated Financial Statements	86,297	406,976	81,343	82,907	84,576	86,245	87,965	423,036
Miscellaneous Trusts	Included	-	Included	Included	Included	Included	Included	-
General Rate Surplus	Included	-	Included	Included	Included	Included	Included	-
Total	86,297	406,976	81,343	82,907	84,576	86,245	87,965	423,036

% change from 2017

KPMG	2018	2019	2020	2021	2022
Consolidated Financial Statements	-5.7%	-3.9%	-2.0%	-0.1%	1.9%
Miscellaneous Trusts					
General Rate Surplus					
Subtotal	-5.7%	-3.9%	-2.0%	-0.1%	1.9%

As per the above tables, there is a savings of 5.7% from last year's audit fees and our costs will continue to be below the current year's costs until fiscal year 2020/21.

In addition, the following are the costs provided for the various Agencies, Boards and Commissions consolidated into the HRM Consolidated Financial Statements.

KPMG	2017	2013 -2017 Total	2018	2019	2020	2021	2022	2018-2022 Total
Library	9,959	47,033	9,907	10,116	10,324	10,533	10,741	51,622
Centennial Arena	5,631	26,593	6,466	6,570	6,674	6,779	6,883	33,372
Sackville Sports Stadium	14,444	68,099	N/A	N/A	N/A	N/A	N/A	-
BMO Centre	9,959	47,033	9,907	10,116	10,324	10,533	10,741	51,622
Metro Park	6,101	28,783	6,779	6,883	6,987	7,091	7,196	34,936
Dartmouth Sportsplex	10,898	51,465	6,779	10,950	11,159	11,367	11,576	51,830
Halifax Forum	9,490	44,843	9,386	9,594	9,803	10,011	10,220	49,014
St. Margaret's Centre	6,101	28,783	6,779	6,883	6,987	7,091	7,196	34,936
Canada Games Centre	11,159	52,534	11,471	11,680	11,889	12,097	12,306	59,443
Eastern Shore	6,101	28,783	6,779	6,883	6,987	7,091	7,196	34,936
Scotia Bank Centre*	16,477	77,484	N/A	N/A	N/A	N/A	N/A	-
Centennial Pool Association	N/A	-	6,466	6,570	6,674	6,779	6,883	33,372
Dartmouth 4-Pad	N/A	-	7,300	10,116	10,324	10,533	10,741	49,014
Alderney Landing	6,101	28,783	6,779	6,883	6,987	7,091	7,196	34,936
Cole Harbour Place	11,732	55,324	11,471	11,680	11,889	12,097	12,306	59,443

As the individual Agencies, Boards and Commissions decide which external auditor they use, we will provide this information for their consideration. Each Agency, Board and Commission will need to consider the services provided by the respective external auditors, and the costs.

*Scotia Bank Centre fees were not included in this proposal as KPMG has already provided them in an RFP to Events East Group in 2017.

**All costs include net HST

FINANCIAL IMPLICATIONS

The external audit fees are included in the 2017/18 budget (A321-6301), and in the first year have decreased by \$4,954 or 5.7% from the 2016/17 costs.

RISK CONSIDERATION

There are no risks associated with this recommendation.

COMMUNITY ENGAGEMENT

None

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

ALTERNATIVES

There is no recommended alternative.

ATTACHMENTS

None

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Dave Harley, Senior Financial Consultant, Finance & Asset Management, 902.490.4260
