Regional Municipality of Waterloo

Audit Committee

Agenda

Tuesday, August 9, 2016

8:30 a.m.

Room 217

150 Frederick Street, Kitchener

1. Declarations of Pecuniary Interest under the “Municipal Conflict Of Interest Act”

2. Reports

2.1 COR-TRY-16-79, P2016-18 External Audit Services

Recommendation:

That the Regional Municipality of Waterloo accept the proposal of KPMG LLP for P2016-18 External Audit Services and appoint KPMG LLP as the Region’s external auditor for a three (3) year term comprising the 2016, 2017 and 2018 fiscal years, with an option to renew for two additional one year terms at a total three year cost of $412,870.00 (average annual cost $137,623.00) plus all applicable taxes as set out in report COR-TRY-16-79 dated August 9, 2016.

3. Information/Correspondence

4. Other Business

5. Adjourn
Region of Waterloo  
Corporate Services  
Treasury Services (Procurement)  

To: Chair Sean Strickland and Members of the Audit Committee  
Date: August 9, 2016  
File Code: F18-40  
Subject: P2016-18 External Audit Services  

Recommendation:  
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Summary: Nil  

Report:  
Section 296 of the “Municipal Act, 2001” provides that a “municipality shall appoint an auditor licensed under the Public Accounting Act 2004 who is responsible for annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit.” The Act also provides that an “auditor of a municipality shall not be appointed for a term exceeding 5 years.”  

The Region’s incumbent auditor, Deloitte LLP, has been the external auditor for 20 years. Completion of the 2015 financial statement audit marked the final year of Deloitte’s most recent five year term.  

Proposals were called for P2016-18 External Audit Services and were advertised in the Record, on the Ontario Public Buyers Association website and on the Region’s website.
Three (3) proposals were received. The proposals were opened in the presence of P. Holling, I. Tiszovszky and S. Agnello.

The proposals were evaluated based on the following criteria: understanding of Regional requirements, profile, experience and qualifications, technical expertise and knowledge of audit team, audit strategies and methodologies.

The following two (2) proposals were short-listed:

Deloitte LLP Kitchener, ON
KPMG LLP Waterloo, ON

The short-listed proponents were interviewed and then the price envelopes were opened. The proposal submitted by KPMG LLP obtained the highest overall score and had the lowest price.

The scope of work will include the following financial statement audits:

- Consolidated Financial Statements
- Sinking Fund Financial Statements
- Trust Funds Financial Statements
- ROWCHI Financial Statements
- Various audit reports required for service and funding agreements with the Federal and Provincial Governments

Staff recommends appointing KPMG as external auditor for the 2016, 2017 and 2018 fiscal years, with an option to renew for two (2) additional one-year terms.

KPMG is a leading auditor in the municipal sector serving 61 municipalities in Ontario. KPMG’s Waterloo office employs 25 staff with municipal audit experience. Regional and single tier clients of KPMG include York Region, Halton Region, Niagara Region, City of Hamilton, City of London and City of Windsor. Locally, KPMG is the external auditor of record for the Cities of Kitchener and Waterloo and the Township of Woolwich.

**Corporate Strategic Plan:**

Award of this contract meets the 2015-2018 Corporate Strategic Plan objective to ensure regional programs and services are efficient, effective, and provide value for money under Strategic Focus Area 5, Responsive and Engaging Government Services.
Financial Implications:

P2016-18 Average Annual cost 2016 to 2018 $137,600
Plus: Applicable Net HST of 1.76% 2,400
Total $140,000

Note: All figures are rounded to the nearest $100.

The average annual cost for the first three years is slightly less than the actual 2015 audit costs for comparable audits. The cost for the two additional one year terms are $138,020 and $140,770 respectively plus all applicable taxes. The cost of the annual audits is included in the Financial Services Division operating budget and various program budgets.

Other Department Consultations/Concurrence:

Financial Services staff was consulted in the preparation of this report.

Attachments: Nil

Prepared By: Lisa Evans, Manager, Procurement/Chief Purchasing Officer

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer