

<b>TO:</b>	<b>CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON MAY 30, 2016</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>RFP 16-31 EXTERNAL AUDIT SERVICES</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following report **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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RFP 10-18 External Audit Contract, Audit Committee, October 27, 2010  
RFP Process Internal and External Audit Services, Audit Committee, Sept 25, 2014  
RFP Process for Internal and External Audit Services, Audit Committee, April 13, 2016

<b>BACKGROUND</b>
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The Audit Committee Terms of Reference identify the mandate of the Audit Committee to include the following:

- to recommend the appointment of new auditors on the advice of Administration, in the event of a vacancy.

KPMG LLP has been the external auditor for the Corporation since the audit of the 1999 Financial Statements. The current external audit contract is ending following the completion of the 2015 Financial Statement audit. The Corporation is going out for a Request for Proposal (RFP) for the next five year term beginning with the audit of the 2016 Financial Statements.

In accordance with the *Municipal Act (2001)* Section 296 (1), the Municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for:

- a) *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; and,*
- b) *performing duties required by the municipality or local board.*

Section 296 (3) indicates that an auditor of a municipality shall not be appointed for a term exceeding five years.

At the Audit Committee meeting on April 13, 2016, Civic Administration advised that they would begin the development of a Request for Proposal for External Audit Services. Civic Administration have completed the Request for Proposal to receive proposals to provide external audit services for the City of London including the audit of the Boards and Commissions which will be issued as RFP 16-31 External Audit Services on June 1, 2016. The RFP is scheduled to close on July 13, 2016.

Included in the scope of the external audit services are related examinations required for the following:

- Annual Audit Questionnaire for the Ministry of Municipal Affairs and Housing
- City of London Trust Funds
- The London Transit Commission Employees' Pension Plan
- Dearness Services including the Long Term Care Annual Reconciliation Report
- Dearness Day Program Annual Reconciliation Report
- Homelessness Partnering Strategy
- Review for the Province for the revenues and expenses of the Child Care program funding
- Records Retention Schedule Review (s255(3) of the *Municipal Act, 2001*)
- Report on specified auditing procedures for the Closed Circuit Television Program

In addition, there may also be audit or review requirements on a variety of federal and provincial funding envelopes or programs. These are generally quoted separately and scheduled when they arise, as they are not consistent from year to year.

The external audit fees for the annual financial statements and related examinations for each of the five years in the period of 2016 through 2020 will be proposed and included using the template included as part of the RFP.

Proposal submissions will be evaluated by an External Audit Services Evaluation Team. The Evaluation Team will include staff representation from all key functional areas including Financial Services, London Hydro Inc., Middlesex London Health Unit, and London Transit Commission with the assistance of Purchasing and Supply. The Evaluation Team will recommend a short list of eligible firms for an interview & presentation. All responses to the RFP will be reviewed to assess compliance with the requirements set out in the RFP and evaluated against the pre-determined evaluation criteria set out in section 11.3 of the RFP.

The short list of audit firms will participate in an interview & presentation with the External Audit Services Evaluation Team. The highest scoring audit firm will be recommended for the appointment of external auditor to the Audit Committee, who will make a recommendation to Council. City Council makes the final decision on the appointment of an audit firm. It is anticipated that an auditor will be appointed by City Council prior to the end of October 2016. This schedule allows for the completion of any preliminary audit planning and work to occur in advance of the December 31 year end which is advantageous for both staff and the external auditor.

**Summary**

Civic Administration will be proceeding to issue an RFP for External Audit Services for the City of London including the audit of each local Board and Commission and other required examinations. The existing external audit services contract, currently held by KPMG LLP, is ending following the completion of the 2015 Financial Statement audit. The RFP Proposal submissions will be evaluated against the criteria set out in the RFP. Civic Administration will recommend the highest scoring audit firm for the appointment of an external auditor to the Audit Committee, who will make a recommendation to Council.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>ANNA LISA BARBON DIRECTOR, FINANCIAL SERVICES</b>	<b>MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

cc. Art Zuidema – City Manager