

TO:	CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON JUNE 13, 2016
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	REQUEST FOR PROPOSAL FOR INTERNAL AUDIT SERVICES

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer the following actions **BE TAKEN**:

- a) The scope of work including expectations of the successful proponent, timelines, and general parameters described in this report for inclusion in the Request for Proposal for internal audit services **BE ENDORSED**;
- b) The attached Appendix A, Request for Proposal for Internal Audit Services **BE ISSUED** to receive proposals by July 28, 2016; and
- c) The striking of an Internal Audit Services Evaluation Committee **BE APPROVED** consisting of the Audit Committee Chair, Vice Chair of the Audit Committee, a representative from the City Manager's office and Finance & Corporate Services, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and will be supported by appropriate members of Civic Administration including Purchasing & Supply.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Auditor General vs Outsourced Internal Auditor, Audit Committee, November 15, 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
Internal Audit Services, Audit Committee, May 30, 2016

BACKGROUND

In late 2010, Council appointed PwC to provide outsourced internal audit services for a three year period plus two one year options, which have both been exercised. The agreement with PwC will expire at the end of 2016.

Municipal Council, at its meeting held on May 31, 2016 resolved:

"That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to internal audit services for The Corporation of the City of London:

- a) the current model of outsourced internal audit services **BE CONTINUED**; and,*
- b) the Civic Administration **BE DIRECTED** to develop a Request for Proposal for Internal Audit Services for approval at the June 13, 2016 meeting of the Audit Committee; it being understood that the Audit Committee can request that amendments or additional requirements be added to the original RFP document issued in 2010."*

INTERNAL AUDIT REQUEST FOR PROPOSAL

Civic Administration has prepared a Request for Proposal (RFP) for Internal Audit Services in accordance with discussions held at the Audit Committee to date. The RFP is seeking a fully outsourced internal audit function delivered by a firm that will offer to the City the full capacity of its organization in delivering specialized and emerging audit functions. Attached as Appendix "A" is the RFP 16-36 for Internal Audit Services. The key parameters that have been included in the RFP are explained in the various sections that follow.

Scope of work

The scope of work for the internal audit provider shall extend to all aspects of the operations of the City of London, and by request, to the Boards, Commissions or other entities that are accountable to City Council and/or controlled by the City of London. The duties may also include the performance of such other assignments as the Audit Committee from time to time may authorize.

The successful Proponent will be requested to provide a four (4) year risk based audit plan, to be updated annually, with input from the Audit Committee and Administration that will be approved by the Audit Committee and Council. Changes have been made to the previous RFP document to update the scope of work to identify the development of a four (4) year risk-based audit plan, the expectations of the successful proponent, evaluation of the auditor's performance and reporting and privacy legislation which are set out in section 9.0 of the RFP document.

The scope of work included in the RFP has been written to include the maximum scope of work and deliverables possible for the internal audit function. The risk-based audit plan (Base Audit Plan) developed and approved by year sets out the narrowed scope and deliverables approved as the specific work-plan.

Section 10.9 of the RFP document sets out the submission requirement to include a sample Base Audit Plan that represents one year of audit work for consideration as part of the evaluation. This will include the manner and methodology to complete a risk assessment and prioritization of audits for the City of London including all significant assumptions as well as sample reporting to the Audit Committee.

Timelines

The external audit RFP was issued in early June and will close the middle of July. As the two RFPs will be of interest to the same audit firms and it is not possible for a firm to provide both services to the City, the timelines of the issuance of the RFPs and their respective awards will be coordinated.

An updated tentative timeline for the Internal Audit Services has been prepared below that allows the Audit Committee and Council to concurrently appoint both the external audit firm and the outsourced audit firm.

Event	Date
RFP Closing Date	Thursday, July 28, 2016
Review & evaluation of RFP submissions	Weeks of August 1 thru September 9, 2016
Short list Selected by evaluation team	September 13, 2016
Interviews With Short listed Firms	Starting week of September 19, 2016
Recommendation by Audit Committee	Wednesday, October 5, 2016 (scheduled meeting)
Council Award	Tuesday, October 11, 2016

Audit Committee needs to endorse the timeline for the RFP and schedule dates for the interviews and presentations of the short listed Proponents starting the week of September 19, 2016. We require the interview dates to be established as they are included in section 4.0 of the RFP document. The City reserves the right to alter the schedule at its sole discretion if required.

Evaluation Team and Process

An evaluation team known as the Internal Audit Services Evaluation Committee will be established for the purposes of reviewing and evaluating all responses against pre-determined evaluation criteria set out in section 11.3 of the RFP. The Internal Audit Services Evaluation Committee will consist of the following:

- Audit Committee Chair;
- Vice Chair of the Audit Committee;
- Managing Director, Corporate Services and City Treasurer, Chief Financial Officer;
- A representative from City Manager’s Office; and
- A representative from Finance & Corporate Services.

The team will be supported by appropriate members of Civic Administration including Purchasing & Supply.

The Internal Audit Services Evaluation Committee will recommend a short list of Respondents to the Audit Committee for an interview and presentation.

The Audit Committee will interview the short listed Respondents. Once the interview & presentations are complete, the Audit Committee shall recommend the chosen Proponent to Council. City Council makes the final decision on the appointment of an audit firm.

Summary

In order to proceed with the RFP, the Audit Committee needs to:

- a) endorse the scope of work including expectations of the successful proponent, timelines, and general parameters of the RFP;
- b) approve the Request for Proposal (attached as Appendix A) and authorize the issuance of the RFP based on the parameters endorsed in a);
- c) approve the general composition of the evaluation committee and identify the additional Audit Committee member to participate in the Internal Audit Services Evaluation Committee.

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

cc. Art Zuidema – City Manager

Attachments