

Report to Audit Committee

To: Chair and Members
Audit Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: Request for Proposal Internal Audit Services
Date: June 16, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports the following actions be taken with respect to internal audit services:

- a) The report dated June 16, 2021 titled “Request for Proposal Internal Audit Services” which outlines the scope of work including timelines and general parameters included in the Request for Proposal (RFP) for internal audit services **BE RECEIVED**;
- b) The striking of an Internal Audit Services Evaluation Committee **BE APPROVED** consisting of: Audit Committee Chair; Audit Committee Vice Chair; a representative from the City Manager’s office and from the Finance Supports Service Area; Deputy City Manager, Finance Supports; with support by appropriate members of Civic Administration including Purchasing & Supply; and,
- c) The City Clerk **BE DIRECTED** to establish an additional meeting of the Audit Committee in October 2021 to complete the RFP evaluation process.

Executive Summary

At the March 24th, 2020 meeting of Municipal Council, Civic Administration was directed to proceed with the development and issuance of an RFP for internal audit services. However, in response to COVID-19 and uncertainty at that time, Municipal Council on June 29th, 2020 extended the existing contract for one (1) more year. To ensure that an internal auditor is in place for 2022, the striking of an Internal Audit Evaluation Committee is required, along with the scheduling of another Audit Committee meeting in October 2021.

This report outlines the scope of work of the RFP for Internal Audit Services, the timelines of the RFP, and the corresponding evaluation team and process.

Linkage to the Corporate Strategic Plan

Council’s 2019-2023 Strategic Plan includes the Strategic Area of Focus ‘Leading in Public Service’, which outlines the following:

- Expected Result: Maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term.
- Strategy: Continue to ensure the strength and sustainability of London’s finances.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Internal and External Audit Services Contract Extensions, June 24, 2020, Audit Committee, Item #4.1

Request for Proposal Internal Audit Services, March 11, 2020, meeting of Audit Committee, Item #4.9

2020-2022 Internal Audit Plan, November 6, 2019, meeting of Audit Committee, Item #4.4

Internal Audit Services, May 30, 2016, meeting of Audit Committee, Item #2

RFP Process for Internal and External Audit Services, April 13, 2016, meeting of Audit Committee, Item #2

RFP Process Internal and External Audit Services, Sept 25, 2014, meeting of Audit Committee, Item #2

1.2 Previous Municipal Council Actions

The Municipal Council, at the meeting held on March 24, 2020 resolved the following with respect to this matter:

“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 (RFP) for internal audit services BE ENDORSED;
- b) the Civic Administration BE DIRECTED to proceed with the development and issuance of an RFP for internal audit services; and
- c) the striking of an Internal Audit Services Evaluation Committee BE APPROVED consisting of: Audit Committee Chair; Audit Committee Vice Chair; a representative from the City Manager’s office and from the Finance & Corporate Services area; Managing Director, Corporate Services and City Treasurer, Chief Financial Officer; with support by appropriate members of Civic Administration including Purchasing & Supply.”

As a result of the impact of COVID-19 on the workplace, Civic Administration requested that the Audit Committee recommend to the Municipal Council, that the above-noted matter be reconsidered and that the City’s option to renew the contract with Deloitte for one additional one-year term for internal audit services be exercised. This would reduce the possibility of having to “on-board” a possible new internal auditor in the Fall given possible uncertainty. Further, it would give the Civic Administration additional time to adjust to new processes and the adjusted work environment.

The Municipal Council, at the meeting held on June 29, 2020 resolved the following:

“That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer the following actions be taken with respect to Audit Services:

- a) pursuant to section 13.3 of the Council Procedural By-law the decision of Municipal Council from the meeting held on March 24, 2020 with respect to clause 4.9 of the 1st Report of the Audit Committee, having to do with undertaking a Request for Proposal (RFP) process for the internal audit services, BE RECONSIDERED;
- b) consistent with RFP16-36 and the terms set out in the contract with Deloitte LLP for internal audit services, the internal audit services by Deloitte LPP BE RENEWED for one (1) additional one (1) year term;
- c) approval noted in b) above, hereby BE GIVEN to extend the current contract for a one (1) year period;
- d) the Civic Administration BE DIRECTED to enter into negotiations with KPMG LLP, 1400-140 Fullarton Street, London, Ontario N6A 5P2 for external audit services to extend the existing contract for two (2) more years;

- e) the Civic Administration BE AUTHORIZED to undertake all administrative acts that are necessary in connection with contracts to implement c) and d), above; and
- f) the approval hereby given BE CONDITIONAL upon The Corporation of the City of London entering into negotiations for satisfactory prices, terms and conditions with Deloitte LLP and KPMG LLP, to the satisfaction of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer.”

As 2021 is the fifth (5th) year of the contract with Deloitte for internal audit services, this report outlines the RFP process for internal audit services which has been initiated.

2.0 Discussion and Considerations

2.1 Scope of Work

The RFP seeks to continue 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.

The scope of work included in the RFP was written to include the maximum scope of work and deliverables possible for the internal audit function. The risk-based audit plan (developed and approved by year) sets out the narrowed scope and deliverables approved as the specific work-plan. Emphasis will be placed on workplans where, annually, there will be a balance between compliance audits and value for money audits.

The RFP document will also set out the submission requirement to include a sample Audit Plan that represents one (1) 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.

2.2 Timelines

The Internal Audit Services RFP includes the timeline outlined in the table below, which consistent with past practice requires the Audit Committee and Council to appoint the outsourced internal audit firm.

Event	Date
RFP Issue Date	Week of May 31, 2021
RFP Closing Date	Wednesday, June 23, 2021
Review & Evaluation of RFP Submissions	Weeks of June 23 through to Fri Aug 27, 2021
Short List Selected by Evaluation Team	Tuesday, September 7, 2021
Interviews With Short Listed Firms	September 22, 2021
Recommendation Audit Committee	Wednesday, November 3, 2021
Council Award	Tuesday, November 16, 2021

Audit Committee is required to schedule dates for the interviews and presentations of the short-listed proponents at its regularly scheduled meeting on September 22, 2021. The interview date is included in the RFP document. The City reserves the right to alter the schedule at its sole discretion if required. The Audit Committee will require the

establishment of an additional meeting to complete the selection process in the month of October 2021, prior to the Council meeting of October 26.

2.3 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. The Internal Audit Services Evaluation Committee will consist of the following:

- Audit Committee Chair;
- Audit Committee Vice Chair;
- Deputy City Manager, Finance Supports;
- A representative from City Manager's Office; and
- A representative from Finance Supports.

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. Interviews will be completed at the regularly scheduled Audit Committee Meeting held on September 22, 2021. 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.

3.0 Financial Impact/Considerations

The 2020 – 2023 Multi-Year Budget contains an average annual budget of \$315,000 for internal audit services.

Conclusion

In the wake of COVID-19, the RFP for internal audit services was delayed until 2021. Civic Administration issued the RFP for internal audit services on June 2, 2021 with a closing date of Monday June 21, 2021. The Internal Audit Services Evaluation Committee will evaluate the proposals as set out in the RFP document and the Audit Committee will interview the short-listed respondents at its regularly scheduled meeting to be held on September 22, 2021. Another Audit Committee meeting is required to be scheduled in October 2021 to complete the RFP process.

Submitted by: Ian Collins, Director, Financial Services
Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Cc: Lynne Livingstone, City Manager