

APPOINTMENT OF EXTERNAL AUDITORS

Recommendation

The City's Audit Selection Team in consultation with the Commissioner of Finance & Corporate Services, and the Director of Purchasing Services recommends:

- 1) That the provision for external Auditing Services to the City of Vaughan, Vaughan Public Library Board, Vaughan Business Corporations and the Kleinburg Business Improvement Area, commencing with the 2006 audit, be awarded to the firm of KPMG LLP, for a period of five (5) years based on both fees and technical qualifications as outlined in their response to the City's Request for Proposal (RFP) for External Auditing Services; and
- 2) That the Vaughan Non-Profit Housing Corporation be advised of the results of the RFP, Council's recommendation and that to maintain a cost effective audit that the Board also appoint KPMG LLP as their external auditors and,
- 3) That the Mayor and City Clerk be authorized to sign the necessary documents.

Economic Impact

The total cost of the external auditing services for 2006 for all entities is \$102,396 including GST, 2007 would be billed at the same rate and any increase in the remainder of the contract will be limited to CPI, capped at 5%.

Purpose

To seek an external auditing firm for a period of 5 years, to perform auditing services for the City of Vaughan, Vaughan Public Library Board, Kleinburg Business Improvement Area, the Vaughan Non-Profit Housing Corporation and Vaughan Business Corporations.

Background – Analysis and Options

In July, a Request for Proposal (RFP) for External Auditing Services was issued. The City of Vaughan is a fast growing and urban municipality which is governed by an ever increasingly complex legislative environment. As a result the city requires an auditing firm large enough to provide an efficient/cost effective audit and the expertise to provide a wide range of support services. The RFP for Auditing Services is for the City Vaughan including, Vaughan Public Library Board, Kleinburg Business Improvement Area, Vaughan Non-Profit Housing Corporation and Vaughan Business Corporations.

Legislation requires that the City, under Section 296 of the Municipal Act, RSO 2001 appoint an auditor licensed under the Public Accounting Act.

The Bid Process

The request for proposal for auditing services includes two components, a Technical Bid and a Fee Bid. The respective weighting was 70 points for the Technical portion and 30 points for the Fee portion. This approach permitted the audit selection team to evaluate the firms based not only on price but on technical qualifications, audit approach, advisory abilities, and other criteria. The evaluation criteria and the assignment of points was provided in the bid document to all bidders. This method of selection allowed the Audit Selection team to objectively determine the most suitable firm for the City of Vaughan. The Audit Selection Team was comprised of Finance staff and the City's Operational and Compliance Auditor supported by Purchasing staff.

The audit proposal was developed so that information provided from each firm would be consistent and sufficient to allow for a comprehensive assessment. The points for the evaluation have been awarded so that the City in its final decision will receive competitive pricing and an effective and efficient audit service. The Technical Bid evaluated a firm and its staff on experience, audit approach and other value added components. The Fee Bid awarded points for the total cost to the City over 2006 & 2007.

Evaluation Results

The Request for Proposal for auditing services was forwarded to six auditing firms. Four out of six firms submitted a response, two firms did not respond, two (2) firms who responded were disqualified. The two remaining auditing firms were evaluated by the audit selection team with the top firm being awarded the highest combination of points for both the Technical and Fee portion of the bid:

KPMG LLP	87.5 points
Deloitte & Touche LLP	79.0 points

The firm of KPMG LLP ranked first with a combined top point score of 87.5.

KPMG LLP serves over 20 cities, towns and regions throughout Ontario, library boards, business improvement areas, and other local governmental agencies including Hydro companies and their affiliates. In addition to auditing and account services, KPMG provides consulting and auditing services in a wide range of areas such as operational/management reviews, comprehensive auditing, taxation, etc.

The term of the appointment is five (5) years, with the first two years at a fixed fee and the remaining three years, based on the Consumer Price Index (CPI), capped at 5%.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

Based on the RFP's submissions as reviewed by the audit selection team, the audit engagement be awarded to KPMG LLP.

Attachments

None

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Respectfully submitted,

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Chair of the Audit Selection Team

