
External Audit Services – Award of Request for Proposals

Recommendation

That the Standing Policy Committee on Finance recommend to City Council:

1. That the proposal submitted by Deloitte LLP for external audit services, at a total estimated cost of \$205,000, plus applicable taxes be approved; and
2. That His Worship the Mayor and the City Clerk be authorized to execute the contract documents as prepared by the City Solicitor under the Corporate Seal.

Topic and Purpose

The purpose of this report is to receive City Council approval for the award of Request for Proposals (RFP) for External Audit Services.

Report Highlights

1. An RFP was issued for procurement of external audit services.
2. The Standing Policy Committee on Finance has since reviewed all proposals and interviewed Deloitte LLP.

Strategic Goal

This report supports the long-term strategy of protecting the City of Saskatoon's (City) credit rating by ensuring sound financial policies and practices under the Strategic Goal of Asset and Financial Sustainability.

Background

As per *The Cities Act* (Section 159(1)), it is City Council responsibility to appoint an auditor for the City.

The contract for external audit services for the City has expired. This service has been provided by Deloitte since 2002 after three contracts awarded through an RFP, the last one being in 2012. It is the City's practice to issue an RFP for such services every five years. In continuation of that practice, an RFP was issued on March 31, 2017 with a closing date of May 12, 2017.

The following is required of the external auditor:

- complete the requirements of Division 10 of *The Cities Act*;
- express an opinion as to whether the financial statements fairly present the financial position of the enterprise or fund under review, the results of its operations for the year; and
- confirm reporting was done in accordance with stated accounting policies on a basis consistent with that of the preceding year.

The engagement must be conducted in accordance with generally accepted auditing standards as prescribed by the Canadian Institute of Chartered Professional Accountants (CICPA) and the Public Sector Accounting Board (PSAB). As part of the external auditor's service, the City will be advised of required improvements in internal accounting controls and systems, where such improvements are important, but not critical, to the expression of an opinion.

The City's financial statements are fully consolidated to include all entities directly controlled by City Council. However, the services provided exclude Rimai Modern Art Gallery, SaskTel Centre and TCU Place for which the auditor appointed by the City must review and be satisfied with the work of the auditors appointed by those Boards.

Report

RFP for Consulting Services

On March 31, 2017, an RFP for consulting services was advertised on the SaskTenders website with a closing date of May 12, 2017. The Administration received responses from the following proponents:

1. KPMG LLP (Saskatoon)
2. Deloitte LLP (Saskatoon)

The following criteria as detailed in the RFP was used in order to evaluate the proposals:

Criteria	Points
Firm's demonstrated knowledge and experience in the audit of similar size municipalities and other large entities	10
Qualifications and expertise of partners and staff, including consultants, to be assigned to the audit. Education, position in the firm, and years and types of experience will be considered as determined from resumes submitted	10
Firm's audit plan and philosophy related to the City of Saskatoon and related entities, particular terms of the audit work, use of technology and plans for dealing with start-up and familiarization of the entities	10
Total audit fees for the five-year term and the number of hours involved in the audit	40
Ability to meet proposed deadlines	30
TOTAL	100

Under the delegated authority of the Standing Policy Committee on Finance, it is the Committee's responsibility to select the external auditor. Since receiving both proposals, KPMG has since withdrawn from the competition.

Although Deloitte is the only remaining proponent, the RFP requirements were still met. Upon review of Deloitte's submission and an interview held at its in camera meeting on September 5, 2017, the Standing Policy Committee on Finance advised the Administration to proceed with the award of the External Audit RFP to Deloitte.

Options to the Recommendation

City Council could choose not to award the External Audit to Deloitte. The Administration does not recommend this option as Deloitte meets all RFP requirements and it would require a reposting of the RFP potentially putting the external audit timetable at risk.

Applying the principles for assessing the use of external resource, the option to have this work done in-house was not considered. As per Section 159(3) of *The Cities Act*:

“a council may not appoint a member of council, an employee of the city or an employee of one of its controlled corporations to be an auditor.”

Financial Implications

The cost of the contract from either proponent is within the approved 2017 Operating Budget.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations, and neither a communication plan or public and/or stakeholder involvement is required at this time.

Due Date for Follow-up and/or Project Completion

The award of RFP will be completed upon City Council approval.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by: Kyra Macfarlane, Corporate Accounting Manager
Reviewed by: Clae Hack, Director of Finance
Kerry Tarasoff, CFO/General Manager, Asset & Financial
Management Department
Approved by: Murray Totland, City Manager

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