

Report to/Rapport au :

**Audit Sub-Committee
Sous-comité de la vérification**

and / et au

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**November 22, 2012
22 novembre 2012**

Submitted by/Soumis par : Marian Simulik, City Treasurer/Trésorière municipale

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-CMR-FIN-0049

**SUBJECT: APPOINTMENT OF AN EXTERNAL AUDITOR FOR THE CITY OF
OTTAWA**

**OBJET : NOMINATION D'UN VÉRIFICATEUR EXTERNE POUR LA VILLE
D'OTTAWA**

REPORT RECOMMENDATION

That the Audit Sub-Committee recommend to the Finance and Economic Development Committee and Council the appointment of Ernst and Young LLP as the external auditors of the City of Ottawa commencing January 02, 2013 and ending September 30, 2018 (includes five (5) annual audits) for a firm cost (for the five (5) year period) of \$1,619,300 plus HST and that the necessary By-Law be enacted.

RECOMMANDATION DU RAPPORT

Que le Sous-comité de la vérification recommande au Comité des finances et du développement économique et au Conseil de nommer la firme Ernst and Young LLP vérificatrice externe de la Ville d'Ottawa, du 2 janvier 2013 au 30 septembre 2018 (période comprenant cinq [5] vérifications annuelles) au prix ferme de 1 619 300 \$ plus TVH pour la période entière et qu'un Règlement municipal approprié soit adopté en conséquence.

BACKGROUND

In accordance with the City's financial guidelines and the Purchasing By-Law, a Request for Proposal (RFP) was prepared and published on MERX on July 12, 2012, in order to invite suitably qualified candidates to bid on a contract of services to the City. The RFP outlined the process, as well as the terms and conditions for selecting the external auditor, including:

- RFP Process;
- Eligibility of Candidates;
- Audit Scope and Requirements;
- Proposal Content;
- Evaluation Process; and
- Milestones and timeframes.

An Auditor Selection Committee comprising of Finance Department staff was set up to review all proposals received and score the proposals using a "consensus" approach in relation to the criteria and points outlined in the RFP. Upon completion, the Selection Committee is required to recommend to the Audit Sub-Committee the proponent offering the 'best value' as determined by the highest score in the evaluation process.

The expected milestones and timeframes for the selection and appointment of the external auditors were stipulated as follows:

- | | |
|------------------------------------|--------------------|
| • Release of the RFP | July 12, 2012 |
| • Submissions received by | September 10, 2012 |
| • Review of proposals completed by | September 26, 2012 |
| • Report to Audit Sub-Committee | November 29, 2012 |

DISCUSSION

The selection of the external audit firm was carried out in accordance with the standard City guidelines for procurement. A Request for Proposal was prepared by the Supply Branch and posted on MERX. On September 26, 2012, the five submissions that were received by September 10, 2012 were evaluated by a selection committee made up of Finance department staff and facilitated by the Supply Branch. The final results were subsequently reviewed by the Deputy City Treasurer, Corporate Finance.

The proposals were evaluated against the following service rated criteria as stipulated in the Request for Proposal document:

- Experience of the Proponent and Technical Qualifications (20);
- Experience and Technical Qualifications of Key Team Members (20);
- Audit Approach and Methodology (10); and
- Financial Proposal (50).

The Auditor Selection Committee used a “consensus” approach in arriving at the total points score for each proponent. Following the evaluation, the sealed envelopes from the four proponents who passed the experience and audit approach (non-financial) evaluation criteria were opened to evaluate the financial proposal component.

Financial points were awarded based on standard deviation where the lowest Firm Total Cost (for the five (5) year period) responsive proposal received full points, and the other proposals lost points to the extent that they exceeded the low Firm Total Cost (for the five (5) year period) responsive proposal.

Ernst & Young LLP scored the highest overall of the four remaining proponents and is recommended by the Auditor Selection Committee to be appointed the City’s auditors for the next five annual audits commencing December 31, 2013.

The statements and municipal entities to be audited include the following:

- City of Ottawa Consolidated Financial Statements
- Pineview Golf Course
- 17 Business Improvement Area (BIA)/Mall Authorities
- City of Ottawa Sinking Fund
- City of Ottawa Superannuation Fund
- OC Transpo Pension Fund
- OC Transpo Benefit Trust Fund
- Municipal Funding Agreement – Gas Tax
- Ottawa Community Lands Development Corporation
- Manotick Mill Quarter Community Development Corporation
- In-House Waste Collection Statement of Operation
- Long Term Care Trust Funds
- Long Term Care Section II, IV, and VII of Annual Reconciliation Report
- Long Term Care Sections A to J and O of Long Term Care Home Annual Report
- Heron and Nepean Senior Centres
- Public Health Settlement Forms
- Healthy Babies/Healthy Children Settlement Forms
- AIDS Bureau Settlement Forms
- Homelessness Partnership Initiative
- Annual Program Expenditure Reconciliations (5 programs)
- Central Ambulance Communication Centre (CACC)
- Ottawa River Integrated Project (ORIP)
- Strandherd-Armstrong Bridge Agreement
- LRT Provincial Funding Agreement

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

This item is administrative in nature. In addition, the requirement for external audit services has been recognized and approved by Council.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendation of this report. Section 296 of the *Municipal Act, 2001* requires the City to appoint an auditor licensed under the *Public Accounting Act, 2004*.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

The outcome of this competitive bid process results in approximate annualized savings of \$130,000 to be achieved by 2014 on a go forward basis.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications.

TERM OF COUNCIL PRIORITIES

There are no implications on Council priorities.

DISPOSITION

Upon approval of the recommendation by Council, Legal Services will prepare the appropriate by-law for enactment.