

Municipality of Chatham-Kent
Finance, Budget and Information Technology Services
Financial Services

To: Mayor and Members of Council
From: Steve Brown, CPA, CMA
Director, Financial Services
Date: April 24, 2018
Subject: External Auditor RFP – 2018 to 2022

Recommendation

It is recommended that:

1. Council appoint Deloitte as the external auditors for the Municipality of Chatham-Kent and all its related Companies and Boards for the calendar years 2018 to 2022, at an average cost of \$83,790 per year.

Background

Section 296 of the Municipal Act, 2001 states the following:

Auditor

296. (1) A municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for,

- (a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit

Term

(3) An auditor of a municipality shall not be appointed for a term exceeding five years.

Further, the shareholder agreement with Entegrus Inc. states that “the Corporation’s consolidated and unconsolidated financial statements will be audited annually. The auditors of the Corporation will be appointed by the shareholder.”

Comments

The RFP for External Audit and Corporate Tax Services closed February 28, 2018. Proposals were received from three firms, being Deloitte LLP, KPMG LLP, and BDO LLP. A two envelope system was used, with the proposals being analyzed prior to opening the price envelopes.

Municipal Services

Municipal staff used the matrix system for analyzing the proposals. All three bids met the minimum score to have their price envelopes opened. Deloitte LLP received the highest score based on the evaluation of firm experience and pricing.

Entegrus Services

Entegrus staff used the matrix system for analyzing the proposals. Two of the three bids met the minimum score to have their price envelopes opened. Entegrus scored KPMG the highest based on the evaluation of firm experience and pricing.

Once the Municipal evaluation was combined with the Entegrus evaluation, Deloitte received the highest overall score.

Results

Staff reviewed the RFP results with the Audit Policy Committee on April 23, 2018 resulting in the following motion being approved.

Administration be directed to bring to the next open session of Council the following recommendation: That Council appoint Deloitte as the external auditors for the Municipality of Chatham-Kent and all its related Companies and Boards for the calendar years 2018 to 2022, at an average cost of \$83,790 per year.

The Entegrus appointment will be recommended to the Entegrus Board. The average external audit cost per year for Entegrus Inc. will be \$51,490 for the years 2018 to 2022.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- Financial Sustainability:**
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:**
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors**
- Neutral issues (does not support negatively or positively)**

Consultation

Staff at Entegrus performed the analysis of the RFP pertaining to the energy business. The Audit Policy Committee at both the Municipality and Entegrus has reviewed the results and are in agreement with the recommendations.

Financial Implications

As illustrated in the chart below, the audit fees are within existing budgets. Specialized or program audits are charged to the specific program, Board, or Companies.

	5 Yr. Average Audit Fee (+HST)	Municipal Budget	Board or Fund Budget
Corporate Audit and Trust Funds	\$56,420	\$65,350	
Boards and Special Reports	\$15,460	\$7,283	\$18,458
BIA's	\$5,620		\$5,620
Other Corporations	\$6,290		\$3,600
Total	\$83,790	\$72,633	\$27,678

Prepared by:

Reviewed by:

Steve Brown, CPA, CMA
Director, Financial Services

Mike Turner, CPA, CMA
Chief Financial Officer, Treasurer

Attachment(s): None

C. Chris Cowell, CFO Entegrus Inc.

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