

August 9, 2017

To: Members
Executive Committee

Re: Appointment of Auditors

RECOMMENDATION

1. That MNP LLP be appointed as auditors for the years 2017 through 2021 to perform the annual audit for the City and its legal entities:

General Trust Fund
Buffalo Pound Water Treatment Corporation
Regina Downtown Business Improvement District
Regina's Warehouse and Business Improvement District
Economic Development Regina
Regina Public Library
Regina Exhibition Association Limited

2. That the Chief Financial Officer be authorized to finalize the terms of the audit services contract with MNP LLP as prepared by the City Solicitor.
3. That the City Clerk be authorized to execute the contract.
4. That this report be forwarded to the August 28, 2017 City Council meeting for approval.

CONCLUSION

Administration has used a competitive procurement process to engage professional audit services for the City and its related entities for the years 2017 through 2021. On the basis of the criteria outlined in the request for proposals, the review committee ranked MNP LLP as the highest ranked proponent, therefore, it is recommended that MNP LLP be awarded the contract for professional audit services.

When using a competitive procurement process, the City is legally obligated to conduct a fair competition and evaluation process and to make an award from that process to the proponent with the highest ranking proposal based on pre-established evaluation criteria.

BACKGROUND

Section 159(1) of *The Cities Act* requires that City Council appoints an auditor for the City of Regina as well as several other related entities. City Council considered report CR17-58 at the

May 29, 2017 City Council meeting and approved that the Chief Financial Officer be authorized to initiate the process to engage professional audit services for the City of Regina and related entities for the years ending 2017-2021.

A request for proposal for the annual audit was issued June 2017; the review committee conducted the review based on the stated evaluation criteria that were approved by Council and set out in the City's request for proposal. The purpose of this report is to provide information on the process followed by the review committee, to summarize the selection criteria used, and to recommend the appointment of an auditor.

DISCUSSION

Procurement Process and Ranking of Proponents

On May 29, 2017, City Council approved a recommendation that the Chief Financial Officer be authorized to initiate a competitive procurement process to engage professional audit services for the City of Regina and related entities for the years ending 2017-2021.

The request for proposal was advertised on Sasktenders as well as a notice to MERX directing suppliers that the documents were available on Sasktenders. Four accounting firms responded to the request.

A review committee was established which included the following:

June Schultz, CPA, CMA, Director, Finance, City of Regina
Lorrie Schmalenberg, CPA CGA, Manager, Corporate Accounting, City of Regina
Breanne Howden, CPA CA, Senior Financial Reporting and Policy Advisor, City of Regina
Gail Kruger, CPA CMA, Head, Finance and Administration, Regina Public Library
Ryan Johnson, C.D., M.A.Sc, P.Eng., General Manager, Buffalo Pound Water
Nolton Knippel, FCA, VP and CFO, Regina Exhibition Association Limited

The proposals were evaluated according to the criteria approved by City Council on May 29, 2017.

In reviewing the proposals, the following criteria were used according to those established in the request for proposal:

Relevant Experience - An auditor must have a sufficient understanding of the organization's business, accounting principles prescribed for that business and its related entities. Evaluation criteria included knowledge in the audit of similar size organizations, municipalities and other government organizations.

Staff Resources - While junior and intermediate staff will change throughout the audit engagement, the City requested that there is breadth in the organization, as well as information to assess whether the firm has resources available to meet deadlines.

Audit Plan and Methodology - Administration reviewed the proposals with an expectation that key areas and risks related to the City will be addressed in the proposal. Sufficient detail was expected to validate the proficiency of the audit firm to plan and execute the audit.

Audit Fees and Hours - Firms provided pricing for the audit of each entity that is consolidated in the financial statements as well as rates for special audits such as our third party funding audit reports. Over the five-year term of the last audit, the City of Regina consolidated entity changed significantly in its audit requirements. The City of Regina has some known potential changes and certainly cannot predict the unknown ones but some can be reasonably assumed from the known Public Sector Accounting Board (PSAB) emerging issues. The costs of these additional/special audits can be a significant part of the complete cost; therefore, the proposals were also evaluated for an understanding of, and pricing for, potential extra audits.

All proposals included a caveat that, should the scope change during the course of the audit, the auditors will seek to negotiate additional fees. This is standard practice within the industry as the exact nature of the audit, changes to the entities and other unknowns can cause significant extra work for the audit, some of which can be requested by management if needed.

Independence - Audit firms were required to comply with the standards of their professional association in maintaining independence and objectivity. The City of Regina also has a policy on auditor independence.

Based on the criteria described above, each committee member independently rated each proponent, then met as a committee and came to a consensus on the highest ranked proponent and are recommending awarding the contract to MNP LLP.

RECOMMENDATION IMPLICATIONS

Financial Implications

The five year contract, as awarded, is valued at \$1.27 million, of which each entity will pay its share of the annual cost.

Environmental Implications

None related to this report.

Strategic Implications

None related to this report.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Ian Rea,
Chief Financial Officer

Report prepared by:
Lorrie Schmalenberg, Manager, Corporate Accounting