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APPOINTMENT OF AUDITORS

The Audit Committee recommends the adoption of the recommendations contained in the following report, August 23, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The firm of KPMG LLP be appointed as the municipal auditor for the Regional Municipality of York for the years 2005 to 2009 inclusive, at a fee of $125,500 for fiscal year 2005, and this fee will increase to $148,100 by 2009, for a total five year cost of $686,600.

2. The Regional Solicitor be authorized to prepare the necessary by-law to give effect to the foregoing.

2. PURPOSE

The purpose of this report is to inform the Audit Committee and Council of the results of the Request for Proposal for Financial Audit Services and to recommend the appointment of the Region's auditors.

3. BACKGROUND

Sections 296(1) and (3) of the Municipal Act require that every municipality appoint municipal auditors for a term not exceeding five years.

In 2000, Regional Council approved the appointment of the firm KPMG LLP as the Region's auditors for the fiscal years 2000 to 2004 and now, in accordance with the Municipal Act, a review of external audit services to the Region is required.

Proposals were prepared and released on July 19, 2005 by the Supplies and Services Branch. A two envelope system was used whereby each proponent submitted one envelope containing credentials in response to the Request for Proposal, and the second envelope containing the pricing. The proponents were requested to submit proposals for the audit of Housing York Inc., York Region Rapid Transit Corporation and Smart Commute Association, in addition to the York Region audit. They were requested to disclose separate pricing for those four audits. The RFP closed on Thursday, August 4, 2005 at 1:00 p.m. local time and was opened by Supplies and Services. The following four companies submitted proposals: KPMG LLP, Deloitte & Touche LLP, Grant Thornton LLP, and BDO Dunwoody LLP.

4. ANALYSIS AND OPTIONS

4.1 Evaluation Process

The proposals were evaluated in a two stage process by an evaluation committee made up of the Director of Audit Services and representatives from the Finance Department and Housing York Inc.

4.1.1 Stage 1

The initial evaluation was conducted individually by the members of the evaluation team. Proposals were evaluated based on the following criteria: municipal experience, qualifications of project/team lead, references, responsiveness and completeness of submission, demonstrated understanding of scope of audit, auditing procedures/techniques, timelines, and value added services.

4.1.2 Stage 2

The secondary evaluation was performed by the evaluation team as a whole in order to arrive at a consensus. The point system used in the evaluation was weighted based on the importance of each criterion. This stage of the evaluation revealed that all of the firms had demonstrated that they had the credentials and capability to perform the audit function to the Region's satisfaction.

Following the evaluation of each proponent's credentials, the price envelopes were opened and the results are highlighted in Table 1 below.

Table 1
Audit Services Proposal Pricing for 2005

	KPMG	D&T	Grant Thornton	BDO Dunwoody
Total Proposal (excluding GST)	$125,500	$142,000	$170,000	$151,000

The above quotes represent a firm price for 2005 from all firms. Fees for subsequent years are subject to negotiations and may be influenced by such factors as further downloading of programs from the province.

After factoring the pricing into the weighting formula, KPMG LLP emerged as the preferred proponent as per Table 2 below.

Table 2
Total Score with Price

	KPMG	D&T	Grant Thornton	BDO Dunwoody
Total	90.0	83.1	71.7	64.4

Based on the overall evaluation of the proposals, the evaluation committee recommends that the firm of KPMG LLP be appointed as the Region's auditors.

KPMG LLP has been the Region's auditor since the year 2000. During this time, their staff has consistently conducted themselves in a very professional manner. We are confident that the effective working relationship that the Region has experienced with KPMG in the past will continue.

5. FINANCIAL IMPLICATIONS

The audit fee for 2004 was $98,670. The proposed audit fee for 2005 is $125,500, which includes additional audit services for York Region Rapid Transit Commission and the Smart Commute Association.

The proposed audit fee of $125,500 represents the fee for fiscal 2005 and will increase to $148,100 by 2009, for a five year cost of $686,000.

6. LOCAL MUNICIPAL IMPACT

There is no impact on local municipalities associated with this report.

7. CONCLUSION

The term of our current auditors, KPMG LLP, expired in fiscal 2004 and in accordance with Sections 296(1) and (3) of the Municipal Act, a review of external audit services to the Region is required.

Following the evaluation of the proposals received in response to the Region's proposal call for audit services, it is recommended that the firm of KPMG LLP be appointed as the Region's auditors.

The Senior Management Group has reviewed this report.