



## **COUNCIL ADVISORY COMMITTEE**

### **Recommendation to Council**

#### **Re: External Audit Services Proposals 2017-2019**

At the November 14<sup>th</sup>, 2016 meeting of Council Advisory Committee. Director Crowell reported that the term for external audit services expired on March 31, 2016. The incumbent fully completed the requirements under the terms of the prior agreement. A Request for Proposals for External Audit Services (RFP) was placed on the Provincial Procurement website on September 28, 2016 with a due date of October 26, 2016.

Five audit firms expressed interest in the RFP with only two qualifying submissions. These two were Kent & Duffett and Grant Thornton LLP, with Kent & Duffett being the successful respondent.

**that CAC recommends to Council that Kent & Duffett be retained for external auditing services for the year ending March 31, 2017 for the fee of \$17,500 plus HST**  
**And further**  
**that Kent & Duffett be retained for external auditing services for the fiscal years ending March 31, 2018 and 2019 for the fees of \$17,750(+1.4%) and \$18,000 (+1.4%) respectively plus HST. Reappointment will be contingent on Council's satisfaction with performance and fees (among other things).**



# Memo

**TO:** Mark Phillips, CAO  
**FROM:** Debra Crowell, Director of Finance  
**DATE:** November 2, 2016  
**SUBJECT:** **EXTERNAL AUDIT SERVICES PROPOSALS-2017-2019**

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## **BACKGROUND**

The term for external audit services expired on March 31, 2016. The incumbent fully completed the requirements under the terms of the prior agreement. A ***Request for Proposals for External Audit Services*** (RFP) was placed on the Provincial Procurement website on September 28, 2016 with a due date of October 26, 2016.

Five audit firms expressed interest in the RFP and two qualifying responses were received on October 26, 2016. The submissions were opened publicly on October 26, 2016 at 3:15 p.m. by Finance Department representatives, Debra Crowell, Director of Finance and Robin Paish, Accountant. No submitters were in attendance.

The following audit firms submitted proposals for consideration:

- Kent & Duffett (incumbent)
- Grant Thornton LLP

## **ANALYSIS**

### **Criteria**

In order to appropriately rate the proposals, Finance developed a list of criteria and weighting scores. The criteria and related weightings (in order of importance to the Town of Kentville) are:

<b>Criteria</b>	<b>Weight</b>
Pricing	.20
Ability to meet audit schedule	.20
Experience with TOK	.20
Continuity of staff	.20
Local representation	.09
Audit approach	.06
Registered Municipal Auditor	.03
Ancillary services	.02
<b>Total</b>	<b>1.00</b>

### **Discussion of Criteria**

#### **Pricing**

Pricing was divided into several categories; the audit fees of the Town (consolidated) and the Water Commission (non-consolidated), the audits (if necessary) of Building Canada Fund (BCF) monies, Municipal Rural Infrastructure Fund (MRIF) monies and Federal Gas Tax (FGT) funds, Administration fees (a percentage of the audit fees) and out-of-pocket expenses (travel, parking, meals).

The following chart details the above components quoted by each firm.

	<b>Kent &amp; Duffett</b>	<b>Grant Thornton LLP</b>
Audit fee	Yes	Yes
Gas Tax fee	Included*	Yes
BCF/MRIF fee	Included*	Yes
Admin. fee	N/A	Yes (7%)
Out-of-Pocket	N/A	N/A

\* "Included" means that the fee is included with the Town's overall audit fee.

On a scale of pricing the respondents are ranked as follows:

<b>Ranking</b>	<b>Firm</b>
<b>Most costly</b>	Grant Thornton LLP
<b>Least costly</b>	Kent & Duffett

### **Ability to meet the audit schedule**

The Town insists on a reasonable but rigid audit schedule, which ensures that our audited statements are fully complete by the end of June every year. Both submitters agreed to the Town's audit schedule and related milestones.

### **Town of Kentville experience**

Familiarity with the Town, its functions and its financial processes is a benefit to us because it eliminates the time required to acquaint a new audit team with our financial practices. Both **Kent & Duffett** and **Grant Thornton LLP** have experience in the audit of the Town of Kentville.

### **Continuity of staff**

Continuity of audit staff is important to the Finance department because the impact of staff turnover can consume a great deal of the Finance department's time to familiarize new audit staff with the Town of Kentville. Continuity translates into efficiencies. Both audit firms cited that engagement partners and engagement managers would remain for the life of the agreement. For **Grant Thornton LLP**, junior positions may see some turnover.

### **Audit Staff**

The audit team assigned for each of the respondents will include:

	<b>Kent &amp; Duffett</b>	<b>Grant Thornton</b>
Engagement Partner	✓	✓
Engagement Manager	✓	✓
Senior Accountants	✓	✓
Staff Accountants		✓

The hours quoted for the above positions by the respondents include:

	<b>Kent &amp; Duffett</b>	<b>Grant Thornton</b>
Engagement Partner	38	20
Engagement Manager	37	40
Senior Accountants	75	80
Staff Accountants		60
<b>Total hours</b>	150	200

### **Audit Team Experience**

It is important that the Town's audit team is experienced. While we anticipate that some junior members of the team will have less experience, we value the expertise of engagement partners, engagement managers and senior accountants. All respondents ensure that engagement managers have extensive auditing experience and the same engagement partners will remain as part of our audit throughout the audit term.

### **Local representation**

The Town of Kentville strives to support its local business sector. Both quoting firms have business offices located in the downtown core.

### **Audit Approach**

All submitters cite a risk-based approach whereby the firm will analyze and identify the risk of material misstatement and, then, tailor specific approaches to address these risk areas. Testing of internal controls will be used wherever possible to provide evidence of reasonable assurance. Use of substantive testing, statistical sampling and analytical review procedures will round out the audit processes.

### **Registered Municipal Auditor**

The Town will benefit greatly from an audit team which has a significant knowledge of auditing municipalities and public sector reporting. It is important that the audit team understand the Town's unique business and its operational and financial circumstances. Both respondents are registered municipal auditors with the Province of Nova Scotia.

### **Ancillary Services**

Both respondents offer ancillary services which are non-audit services related to advisory services on many varied topics such as policy and strategy, procurement services, investigations and forensic services, to name a few. All firms indicate

that, because consulting falls outside the scope of the external audit proposal, fee estimates would be discussed before any work was completed.

**References**

Both respondents have municipal references and both quoting firms have audited the Town in the past.

**Other Pertinent Factors**

**Public Sector Accounting Standards**

Both quoting audit firms are well-versed in Public Sector Accounting Standards (PSAS).

**Ability to Conduct Audit in Computer Environment**

Both quoting audit firms conduct their audits in a computerized environment by utilizing computer applications to efficiently and effectively draw samples.

**Decision Matrix**

Inserting each respondent's information into the decision matrix offers the following comparison:

**TOWN OF KENTVILLE EXTERNAL AUDIT SERVICES PROPOSALS  
 OCTOBER 26, 2016 RFP  
 WEIGHTED DECISION MATRIX**

CRITERIA	WEIGHT	Kent & Duffett		Grant Thornton	
		Rating	Score	Rating	Score
Pricing	0.20	4	0.8	3	0.6
Ability to meet audit schedule	0.20	4	0.8	4	0.8
Experience with TOK	0.20	4	0.8	4	0.8
Continuity of staff	0.20	4	0.8	3	0.6
Local representation	0.09	4	0.3	3	0.3
Audit approach	0.06	4	0.2	4	0.2
Registered Municipal Auditor	0.03	4	0.1	4	0.1
Ancillary services	0.03	4	0.1	4	0.1
<b>TOTAL</b>	<b>1.00</b>		<b>4.0</b>		<b>3.5</b>

**Scoring**

Fully satisfies requirements	4
Substantially satisfies requirements	3
Satisfies requirements	2
Partially satisfies requirements	1
Does not satisfy requirements	0

The successful respondent is **Kent & Duffett**, whose pricing was the most favorable. As the incumbent, **Kent & Duffett** provides the most recent experience in the Town's audit process; therefore, there will be no need to familiarize the firm with the Town's financial practices.

### **RECOMMENDATION**

Based on the above-noted analysis, I recommend to Council Advisory Committee that **KENT & DUFFETT** be retained for external auditing services for the year ended March 31, 2017 for the fee of **\$ 17,500** plus HST, and further, that **KENT & DUFFETT** be retained for external auditing services for the fiscal years ended March 31, 2018 and 2019 for the fees of **\$17,750** (+1.4%) and **\$18,000** (+1.4%) respectively plus HST. Reappointment will be contingent on Council's satisfaction with performance and fees (among other things).

I further recommend that this matter be placed before Town Council for ratification.