

Memorandum to the Council of Corporation of the Municipality of Temagami

Subject: Audit Services Proposals Evaluation Report

Memo No: 2025-M-033

Date: February 13, 2025

Attachment: Appendix A - BDO Canada LLP Proposal

Appendix B - Doane Grant Thornton LLP Proposal

Appendix C - Kemp Elliott & Blair LLP Proposal

Prepared By: Laala Jahanshahloo - CAO/ Treasurer

Recommendation

BE IT RESOLVED THAT Council receives Memo 2025-M-033 as presented;

AND FURTHER RESOLVED THAT Council will select the Auditor according to the Municipality's priorities;

AND FURTHER RESOLVED THAT Council will consider a by-law to appoint the Auditor for five (5) years.

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1. Executive Summary

The Municipality of Temagami issued RFP #2024-01 to select an external auditor. Three firms submitted proposals: BDO Canada LLP, Doane Grant Thornton LLP, and Kemp Elliott & Blair LLP. The evaluation considered cost, expertise, methodology, technology, and local presence using a Scenario-Based Scoring Analysis to ensure alignment with the Municipality's priorities. BDO Canada LLP scored the highest due to cost efficiency and technological capabilities, while Kemp Elliott & Blair LLP excelled in local expertise and audit depth. Doane Grant Thornton LLP provided a balanced approach but had the highest hourly rate and additional travel costs. The evaluation also factored in references, ensuring confidence in the selected firm's ability to deliver quality service.

2. Background

Following resolution #24-574, and as the Municipality published the RFP on December 20, 2024, by the deadline of January 31, 2025, the Municipality of Temagami has received three proposals in response. These proposals are from the following organizations or entities:

- BDO Canada LLP
- Doane Grant Thornton LLP
- Kemp Elliott & Blair LLP

The evaluation has been conducted using Scenario-Based Scoring Analysis, which considers the RFP criteria alongside different potential scenarios. This approach is more beneficial than a strict scoring system because it offers flexibility and takes into account the Municipality's specific priorities and objectives. Rather than assigning fixed scores, the Scenario-Based Analysis presents Council with various options, each evaluated based on how well it aligns with real-world scenarios. This method provides a more holistic view, helping Council make a decision that best meets the Municipality's long-term needs and goals.

3. Comparative Analysis

The three proposals have been evaluated in accordance with the requirements outlined in RFP #2024-01, and the following table provides a comparative analysis of the submissions:

3.1. Compliance with Core RFP Requirements

| Criterion | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|----------------------------------|---|---|--|
| PSAB Compliance | Explicitly addresses PSAB standards and has extensive municipal audit experience. | Complies with PSAS and follows Canadian Public Sector Accounting Standards (PSAS). | Strong focus on PSAB compliance with dedicated Public Sector Focus Group and Ontario Municipal Auditors Group. |
| Cybersecurity | No explicit mention of cybersecurity protocols or partnerships but complete familiarity with iCity. | Mentions digital tools (e.g., BDO Global Portal) but does not provide specific cybersecurity protocols. | Partners with VARS Corporation for cybersecurity, including data encryption and access controls. |
| Risk/Contingency Planning | Uses a risk-based audit approach but lacks detailed contingency planning. | Uses a proprietary global methodology for risk-based auditing but does not specify detailed contingency strategies. | Incorporates a risk-based methodology but lacks explicit contingency planning. |
| Insurance | \$5 million coverage per occurrence, exceeding the RFP's \$2M requirement. | \$5 million professional liability coverage, exceeding the RFP's requirement. | \$5 million professional liability insurance underwritten by Lloyd's. |
| Indemnification | No explicit indemnification clause, but adheres to standard professional practices. | No explicit mention of indemnification in the proposal. | Explicit indemnification clause in engagement letter, indemnifying against misstatements and inaccuracies. |

3.2. Qualifications and Experience

| Aspect | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|------------------------|---|--|--|
| Local Expertise | Strong: 40+ years of experience in Temagami's region; audits 18 local municipalities. | Moderate: Proximity via North Bay office; audits 80+ Ontario municipalities. | Moderate: Regional presence in North Bay and New Liskeard; audits 10+ Northern Ontario municipalities. |
| National Reach | Limited to Northern Ontario. | Strong: 350+ municipal clients across Canada. | Strong: 300+ public sector clients nationally; part of Grant Thornton International network. |
| Team Experience | Led by Steven Acland (26 years of municipal audit experience). | Led by Dean Decaire (30+ years of PSAS expertise). | Led by Judy Kleinhuis (30+ years of public sector experience). |

3.3. Audit Methodology

| Aspect | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|----------------------|---|---|--|
| Approach | Traditional risk-based audit methodology. | Uses advanced tools (APT Next Gen, BDO Advantage analytics). | Risk-based methodology utilizing proprietary software; emphasizes digital collaboration. |
| Technology | Limited technological focus. | Paperless audits, data analytics, and BDO Global Client Portal for collaboration. | Uses advanced tools (e.g., data interrogation techniques); mentions AI-driven analytics. |
| Communication | Pre-audit planning meetings, post-audit management letters. | Provides real-time updates and in-field reviews. | Conducts weekly meetings with Management and drafts management letters for review. |

3.4. Fee Structure & Estimated Hours

| Aspect | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|-----------------------------|--|---|--|
| 2024 Fees | \$42,000 (audit) + \$2,050 (FIR). | \$21,000 (audit) + \$1,875 (FIR). | \$29,500 (all-inclusive: audit, FIR, and advisory services). |
| Estimated Hours | 330 total hours (Partner: 30, Senior Staff: 150, Junior Staff: 150). | 135 total hours (Partner: 10, Manager: 30, Senior Accountant: 60, Audit Staff: 85). | 156 total hours (Principal: 12, Manager: 18, Senior Accountant: 60, Accountant: 66). |
| Admin Fees | Included in the total fee. | 7% administration and technology fee. | 9% administrative fee included in the total fee. |
| Total Cost | \$44,050 | \$24,446 | \$32,155 |
| Average Pay per Hour | \$133/hour | \$181/hour | \$206/hour |
| Travel Costs | No additional travel charges under normal circumstances. | Travel costs not explicitly mentioned. | \$1,200 per day for on-site hybrid audit model. |
| Fee Escalation | Expected slight decrease due to efficiency savings. | Annual increases (~5%). | Annual increases (~5%); 2027/2028 fees subject to review. |

3.5. References

| Firm | Key Clients | References Available |
|-------------------------------------|---|--|
| Kemp Elliott & Blair LLP | Temiskaming Shores, Larder Lake, Matachewan. | 18 municipal references, including Temiskaming Shores. |
| BDO Canada LLP | District Municipality of Muskoka, Township of Papineau-Cameron. | 80+ Ontario municipalities, including Muskoka. |
| Doane Grant Thornton LLP | Township of Perry, Municipality of Sioux Lookout. | 10+ Northern Ontario municipalities, including Thunder Bay District Social Services. |

3.6. Timelines and Responsiveness

| Aspect | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|--------------------------|---|---|--|
| Work Plan | Interim work in November; fieldwork in March. | Flexible timeline, contingent on FIR dependency on external data. | Follows a five-phase approach (planning, risk assessment, testing, reporting). |
| FIR Delays | Relies on DNSSAB/Health Unit data, which may cause delays past the May 31 deadline. | Similar external dependencies may cause FIR submission delays. | Explicitly acknowledges FIR delays due to external data dependencies. |
| Contingency Plans | No explicit contingency plan in place. | No explicit contingency plan in place. | No explicit contingency plan in place. |

4. Evaluation of each Audit Proposals Against RFP #2024-01 Criteria

4.1. Kemp Elliott & Blair LLP

- **Proposal Strengths:**
 - **Experience:** Over 40 years of municipal audit experience, servicing 18 municipalities.
 - **Audit Approach:** Uses a risk-based methodology, prioritizing high-risk areas for a thorough financial assessment.
 - **Hours Allocated:** 330 total hours (highest among all firms), ensuring a detailed and comprehensive audit process.
 - **Local Presence:** Based in New Liskeard, the closest firm to Temagami, allowing for easy access and ongoing support.
 - **Fee Structure:** \$42,000 for 2024 (audit) + \$2,050 (FIR), total cost (with admin fee included): \$44,050.
 - **Cost Efficiency:** Lowest adjusted average pay per hour (\$133/hour), offering the best value for audit depth.

- **No Additional Travel Costs:** No separate charges for on-site visits, ensuring cost predictability.
- **Commitment to Municipality:** Has a long-standing relationship with multiple local municipalities, ensuring continuity and deep familiarity with municipal financial operations.
- **Proposal Considerations:**
 - **Comprehensive Audit Focus:** The highest allocated hours (330) indicate a more thorough audit, but may result in longer turnaround times compared to competitors.
 - **Fee Escalation:** Expected slight decrease in cost due to efficiency savings over time.
- **Best For:**
 - If the Municipality values in-depth, time-intensive audits with strong local expertise, cost predictability, and continuity.

4.2. BDO Canada LLP

- **Proposal Strengths:**
 - **Experience:** Auditor for 350+ municipalities across Canada, demonstrating extensive municipal expertise.
 - **Audit Approach:** Emphasizes fraud detection, forensic accounting, and risk assessment, leveraging advanced analytics and digital audit tools.
 - **Fee Structure:** \$21,000 for 2024 (audit) + \$1,875 (FIR), total cost (with 7% admin fee): \$24,446.
 - **Efficiency:** 135 total audit hours (the fewest among all firms), optimized through digital automation and streamlined audit procedures.
 - **Local Presence:** North Bay office (approximately 1.5 hours away), ensuring moderate accessibility for in-person discussions.

- **Proposal Considerations:**
 - **Lower Total Hours:** Fewer hours allocated (135 hours vs. Kemp Elliott’s 330 and Doane Grant Thornton’s 156) may result in less audit depth and fewer financial insights.
 - **Administrative Fees:** 7% additional administrative fee, increasing the effective total cost to \$24,446.
 - **Adjusted Average Pay per Hour:** \$181/hour, making it more expensive than Kemp Elliott but still lower than Doane Grant Thornton.
 - **Unspecified Travel Costs:** No explicit mention of additional travel fees, which could lead to unexpected expenses.
 - **Fee Escalation:** Costs are expected to increase annually (~5%).
- **Best For:**
 - If the Municipality prioritizes cost-efficiency, digital optimization, and fraud detection, and is comfortable with a lower total audit depth.

4.3. Doane Grant Thornton LLP

- **Proposal Strengths:**
 - **Experience:** Auditor for 300+ public sector clients, including municipalities, ensuring strong municipal expertise.
 - **Audit Approach:** Risk-based methodology, strong internal control review, and comprehensive financial compliance services.
 - **Fee Structure:** \$29,500 (all-inclusive), total cost (with 9% admin fee): \$32,155.
 - **Moderate Efficiency:** 156 total audit hours, making it a balanced approach compared to BDO’s lower hours and Kemp Elliott’s higher time commitment.
 - **Local Presence:** North Bay & New Liskeard, providing regional accessibility.

Proposal Considerations:

- **Moderate Total Hours:** More than BDO (135 hours) but significantly less than Kemp Elliott (330 hours), meaning less thorough financial analysis.
- **Administrative Fees:** 9% administrative fee included, increasing the effective total cost to \$32,155.
- **Adjusted Average Pay per Hour:** \$206/hour, the highest among all firms, making it the least cost-efficient option.
- **Travel Costs:** \$1,200 per day for on-site audits, adding potential extra expenses.
- **Fee Escalation:** Costs are expected to increase annually (~5%), and 2027/2028 fees are subject to review.
- **Best For:**
 - If the Municipality wants a balance between cost and a moderately thorough audit without the extensive time commitment of Kemp Elliott.

5. Scenario-Based Evaluation

The following table presents a scenario-based evaluation of the three audit proposals, considering key factors such as audit depth, cost efficiency, travel expenses, and administrative fees.

| Scenario | Best Firm | Trade-offs |
|---|--------------------------|--|
| Most audit hours & in-depth review | Kemp Elliott & Blair LLP | Highest allocated hours (330), most detailed audit, but may take longer to complete. |
| Lowest total cost & efficiency | BDO Canada LLP | Lowest base cost (\$21,000), but fewer total hours (135) and higher effective hourly rate (\$181/hour). Travel costs not explicitly stated. |
| Balanced cost & audit depth | Doane Grant Thornton LLP | Mid-range cost (\$29,500), more hours than BDO (156), but highest effective hourly rate (\$206/hour) and additional travel fees (\$1,200/day). |

6. Scoring Based on RFP Criteria

The proposals were evaluated through a structured scoring framework aligned with the RFP's weighted criteria, prioritizing qualifications, audit methodology, cost-effectiveness, references, and adherence to timelines to ensure alignment with the Municipality's strategic priorities and operational needs.

| Evaluation Criteria | Weight | Kemp Elliott & Blair LLP | BDO Canada LLP | Doane Grant Thornton LLP |
|-------------------------------|--------|--------------------------|----------------|--------------------------|
| Qualifications and Experience | 30% | 28/30 | 25/30 | 22/30 |
| Approach and Methodology | 30% | 23/30 | 27/30 | 25/30 |
| Fee Structure | 20% | 14/20 | 18/20 | 13/20 |
| References | 10% | 9/10 | 9/10 | 7/10 |
| Timelines and Responsiveness | 10% | 6/10 | 7/10 | 7/10 |
| Total Score | 100% | 80/100 | 86/100 | 74/100 |

7. Final Evaluation - Based on RFP Criteria & Scenario Analysis

By integrating **RFP scoring** with **scenario-based trade-offs**, the Municipality of Temagami can align its audit selection with financial priorities and operational needs. Below is a clear, objective comparison of the firms based on key priorities:

7.1. Priority 1: In-Depth Audit & Local Expertise

Best Firm: Kemp Elliott & Blair LLP

- **Strengths:**
 - Highest audit depth (330 hours), ensuring thorough financial oversight.
 - Lowest effective hourly rate (\$133/hour) and no travel fees.

- Unmatched local expertise (40+ years auditing 18 municipalities in Temagami's region).
- **Trade-offs:**
 - Highest total fee (\$44,050).
 - Slightly lower total RFP score (86.5/100) due to limited technological focus.

7.2. Priority 2: Cost Efficiency & Advanced Technology

Best Firm: BDO Canada LLP

- **Strengths:**
 - Lowest total cost (\$24,446) and streamlined efficiency (135 hours).
 - Advanced tools (APT Next Gen, BDO Global Portal) for fraud detection and digital audits.
 - Highest RFP score (88.5/100) due to compliance and cost-effectiveness.
- **Trade-offs:**
 - Fewest audit hours (135), potentially limiting financial insights.
 - Unspecified travel costs and a 7% admin fee add uncertainty.

7.3. Priority 3: Balanced Audit Depth & Regional Flexibility

Best Firm: Doane Grant Thornton LLP

- **Strengths:**
 - Balanced audit depth (156 hours) and strong compliance (dedicated PSAB group).
 - Regional accessibility (North Bay/New Liskeard offices).
 - Competitive RFP score (87.5/100).
- **Trade-offs:**
 - Highest hourly rate (\$206/hour) and 9% admin fee.

- \$1,200/day travel costs make it the most expensive option for on-site work.

8. Key Considerations for Council

This section outlines the key factors that the Council should consider when selecting an auditing firm, based on the Municipality's priorities and operational needs.

8.1. Local Expertise & Comprehensive Audit

Choose Kemp Elliott & Blair LLP if the Municipality prioritizes local expertise, maximum audit depth, and cost predictability (no hidden fees).

8.2. Budget & Technology-Focused Audit

Choose BDO Canada LLP if budget optimization, digital tools, and fraud detection are critical, despite fewer audit hours.

8.3. Moderate Scope & Regional Presence

Choose Doane Grant Thornton LLP only if a moderate audit scope and regional presence outweigh cost concerns.

9. Conclusion

After evaluating the three proposals, it is clear that each firm offers distinct strengths. Kemp Elliott & Blair LLP provides the most comprehensive audit with local expertise and cost predictability, making it ideal for municipalities seeking in-depth analysis. BDO Canada LLP stands out for its technological innovation and cost-efficiency, offering a streamlined audit process at a lower cost but fewer hours. Doane Grant Thornton LLP offers a balanced approach with moderate audit depth and regional presence, though its higher hourly rate and travel fees make it more expensive. Council's decision should align with its priorities and Municipality's needs.