TO: CHAIR AND MEMBERS
FINANCE AND ADMINISTRATION COMMITTEE
MEETING ON DECEMBER 16, 2010

FROM: MIKE TURNER
DEPUTY CITY TREASURER

SUBJECT: RFP 10-18 EXTERNAL AUDIT SERVICES

RECOMMENDATION

That, on the recommendation of the Deputy City Treasurer, the attached proposed by-law (Appendix A) BE INTRODUCED at the Municipal Council meeting of December 20, 2010:

(a) TO APPOINT KPMG LLP as auditors for the Corporation and its Boards and Commissions and Municipal entities for the five year term beginning January 1, 2011, in accordance with the Municipal Act (2001) Section 296; and

(b) TO APPROVE the agreement attached to the By-Law as Schedule A with respect to the audit of the accounts and transactions of The Corporation of the City of London and its Boards and Commissions and Municipal entities; and

(c) TO AUTHORIZE the Mayor and City Clerk to execute the Agreement in (b) above.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Request for Proposal 10-18 External Audit Services – Audit Committee July 21, 2010
Request for Proposal 10-18 External Audit Services – Audit Committee Sept. 29, 2010
Request for Proposal 10-18 External Audit Services – Audit Committee Oct. 27, 2010

BACKGROUND

The Corporation issued Request for Proposal 10-18 External Audit Services on July 22, 2010 requesting proposals for the next five year term beginning with the audit of the 2010 Financial Statements.

In accordance with the Municipal Act (2001) Section 296 (1), the 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; and

b) performing duties required by the municipality or local boards.

Section 296 (3) Term – indicates that “an auditor of a municipality shall not be appointed for a term exceeding five years”.

This report is from the resolution of Council from the meeting on November 1, 2010 when Council approved the Audit Committee recommendation from its meeting of October 27, 2010:

“That, on the recommendation of the Selection Committee – External Audit Services, the Civic Administration BE DIRECTED to prepare a report for the incoming Municipal Council, scheduled to meet on December 20, 2010, with such report to include a contract and by-law, to approve the appointment of KPMG LLP as the Corporation of the City of London’s external auditor under section 296 of Municipal Act, 2001, for a five year term commencing January 1, 2011.”
This agreement includes KPMG's engagement letter, the RFP Document 10-18 and KPMG's proposal to the RFP.

RECOMMENDED BY

MIKE TURNER
DEPUTY CITY TREASURER

c. J. Fielding, Chief Administrative Officer
   M. Hayward, City Treasurer, Chief Financial Officer
   S. Swance, Manager of Accounting
A By-law to appoint KPMG LLP auditors for The Corporation of the City of London for a five year term pursuant to section 296 of the Municipal Act, 2001; and to approve an Agreement between The Corporation of the City of London and KPMG LLP with respect to providing external audit services for the Corporation; and to authorize the Mayor and the City Clerk to execute the Agreement.

WHEREAS subsection 5(3) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the Municipal Act, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS section 10 of the Municipal Act, 2001 provides that the City may provide any service or thing that the City considers necessary or desirable for the public, and may pass by-laws respecting same, and respecting economic, social and environmental well-being of the City, and the financial management of the City;

AND WHEREAS section 296 of the Municipal Act, 2001 provides that a municipality shall appoint an auditor licensed under the Public Accounting Act, 2004 who is responsible for 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; and performing duties required by the municipality or local board;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The firm KPMG LLP be appointed as auditors for The Corporation of the City of London and its local boards for a five year term commencing January 1, 2011 and ending December 31, 2015.

2. The Agreement to be entered into between The Corporation of the City of London and KPMG LLP with respect to external audit services attached as Schedule A to this by-law, is approved.

3. The Mayor and the City Clerk are authorized to execute the agreement approved under section 2 above.

4. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council, 2010.

Mayor

Catharine Saunders
City Clerk

First reading -
Second reading -
Third reading –
THIS AGREEMENT made in triplicate as of the 1st day of January, 2011.

BETWEEN:

THE CORPORATION OF THE CITY OF LONDON
(hereinafter called the "Corporation")

OF THE FIRST PART

-AND-

KPMG LLP
(hereinafter called the "Auditor")

OF THE SECOND PART.

WHEREAS the Corporation issued a Request for Proposal attached as Schedule "B" (the "RFP") for an external auditor to perform the duties and responsibilities under section 296 of the Municipal Act, 2001 and other external audit services for the Corporation and its local boards and commissions and entities as set out in the RFP (the "Local Boards and Commissions);

AND WHEREAS the Auditor has submitted a Proposal in writing dated September 10, 2010, attached as Schedule "C" (the "Proposal") to provide External Audit Services for the Corporation and the Local Boards and Commissions;

AND WHEREAS the Corporation and the Auditor desire to enter into this agreement for external audit services for the Corporation and the Local Boards and Commissions;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained, the parties hereto covenant and agree, each with the other as follows:

1.0 SCHEDULES

1.1 The following Schedules are attached to and shall form part of this Agreement:

Schedule "A" Engagement Letter;
Schedule "B" the RFP; and
Schedule "C" the Proposal.

1.2 In the event of any conflict between the terms of any Schedule that forms part of this Agreement and this Agreement the following shall be the order of priority to the extent of any conflict:

1. Schedule "A" Engagement Letter;
2. This Agreement;
3. Schedule "B" the RFP;
4. Schedule "C" the Proposal.

2.0 GENERAL

2.1 The Auditor agrees to provide to the Corporation the audit services as set out in the RFP in accordance with the RFP and the Proposal, the Engagement Letter and this Agreement including without limitation to an examination of the records and financial statements of the Corporation and the Local Boards and Commissions to the degree necessary to express an audit opinion on such statements.

2.2 In addition to the audit services as set out in section 1.1, the Auditor agrees to complete all work related to examinations required in order to produce the Accountant's Report for the Ministry of Municipal Affairs and Housing related to the Information Return; audit requirements for the Dearness Services, Home for the Aged Long Term Care Annual Financial Report, and Day Program Report; the compliance audit for the Federal Gas Tax; Child care and Homelessness program envelope reviews and Homelessness partnering strategy audit. The work will, generally, not include accounting or the preparation of draft financial statements or schedules, except in those limited circumstances as may be presented by some of the Local Boards and Commissions.

3.0 ANNUAL SCHEDULE

3.1 The Auditor shall on a agreed upon date in November of each year, meet with the Chief Financial Officer and City Treasurer (or delegate) for the Corporation and with each of the heads or delegate of the Local Boards and Commissions to discuss and agree upon;
a) a schedule which includes all aspects of the completion and audit of the various financial statements for the current year.

b) a list of the necessary schedules, working papers, analyses, and other information to be prepared by the staff of the Corporation and each of The Local Boards and Commissions.

4.0 QUALIFIED STATEMENTS

The Auditor shall, immediately upon discovery of information or conditions which would otherwise lead to the inclusion of a qualified opinion with respect to the Corporation’s or any of the Local Boards and Commissions’ financial statements, provide information and fully discuss such matters with the Chief Administrative Officer and Chief Financial Officer (or designates). The Auditor shall, as far as possible, allow a reasonable time for the Corporation or the Local Boards and Commissions to investigate, analyse, report, and take corrective action so as to avoid the inclusion of such qualifications.

5.0 MEETINGS AND SUBSEQUENT ASSISTANCE

The Auditors shall attend such meetings as required to discuss their work and reports and shall provide such information as requested which will enhance the understanding of members of the Municipal Council and the Audit Committee of Council concerning matters pertaining to the annual financial statements.

6.0 AUDIT MANAGEMENT LETTER

6.1 The Auditor shall no later than 60 days following completion of the report on the audit of the annual statements, prepare and deliver to the Chief Administrative Officer and Chief Financial Officer draft letters conveying any concerns relative to the internal accounting, operating controls, and other matters of material importance with respect to the operations of the Corporation and the Local Boards and Commissions.

6.2 The Auditors shall also provide recommendations as to such corrective measures as may be required, and be prepared to provide assistance with regard to implementation if required to do so. The Auditors shall meet with the Chief Administrative Officer and Chief Financial Officer and any relevant Local Board or Commission head, to discuss the comments, following which an official management letter will be submitted to the Chief Administrative Officer and Chief Financial Officer and to the Local Board or Commission head.

6.3 The Chief Administrative Officer and Chief Financial Officer shall, upon receipt of the final version of the Audit Management Letter, co-ordinate the management response to the Auditor’s comments and shall schedule a meeting of the Audit Committee to receive the Audit Management letter and management response.

7.0 CONTRACT TERM

7.1 The term of this Agreement shall be for a period of five years, beginning January 1, 2011, ending December 31, 2015, subject to the performance of the Auditor, which shall be evaluated on the criteria in section 7.0 of this Agreement. If the performance of the Auditor at the sole discretion of the City, is unsatisfactory, the City reserves the right to cancel the contract with thirty (30) days written notice, without penalty.

8.0 PERFORMANCE OF THE AUDITOR

8.1 During the term of the engagement, the performance of the Auditor will be evaluated based on the following:

a) For the initial year of the engagement, the persons assigned to the audit were those originally proposed in the Proposal; and any subsequent changes to audit personnel must be acceptable to the Chief Financial Officer or designate;

b) The audit senior has been present throughout the audit field work, both at unconsolidated and consolidation portions of the audit;

c) The audit has been carried out in the manner set out in the Proposal. Any changes in the audit services which impact staff and other resources of the City have been discussed with and agreed to by the Chief Financial Officer or designate.
d) The audit has been completed within the time frames agreed to in the annual schedule. There must be flexibility of the Auditor in making adjustments to the dates required for the audit from year-to-year as a result of issues facing the Corporation;
e) Provision of advice regarding improving operational efficiency and utilizing alternate service delivery options, as well as advice that will assist the Corporation in dealing the challenges it faces.

9.0 FEE SCHEDULE

9.1 The Auditor will be paid the following fee for each of the five years of audited statements

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9.2 The fees will be adjusted to account for any changes in future ownership and structure of the City of London and its local boards and commissions due to deregulation and/or restructuring in accordance with the hourly rates as provided in the Proposal which are as follows; Partners $325-375, Senior Managers $225-275, Senior Accountants $150 and Staff Accountants of $100.

9.3 All of the fees under this agreement are inclusive of all out-of-pocket expenses or administrative expenses of any kind. HST is extra.

9.4 Basis of Payment

The Corporation and each of the Local Boards and Commissions shall be billed as work progresses based on standard hourly rates up to the amount of the contracted fee. Invoices will be due and payable as rendered.

9.5 Hours of Involvement

The Auditor shall commit sufficient hours of its staff at all levels to complete the work under this Agreement in the manner set out in the Proposal.

10.0 Insurance

10.1 The Auditor shall at its own expense obtain and maintain until the termination of this Agreement, and provide the Corporation with satisfactory evidence of:

a) Commercial general liability insurance on an occurrence basis for an amount not less than Five Million ($5,000,000.) Dollars and shall include the Corporation as an additional insured with respect to all of the Auditor's operations, acts and omissions relating to its obligations under this Agreement, such policy to include non-owned automobile liability, personal injury, broad form property damage, contractual liability, owners' and contractors' protective, products and completed operations, contingent employers liability, cross liability and severability of interest clauses;

b) Automobile liability insurance for an amount not less than Five Million ($5,000,000.) dollars on forms meeting statutory requirements covering all vehicles used in any manner in connection with the performance of the terms of this Agreement and;

c) Professional liability insurance covering the work and services described in this Agreement, such policy to provide coverage for an amount not less than two million ($2,000,000.) dollars and shall continue for twelve (12) months following completion or termination of this Agreement.

d) The policies shown in (a), (b) and (c) above will not be cancelled or permitted to lapse unless the insurer notifies the Corporation in writing at least thirty (30) days prior to the effective date of cancellation or expiry. The Corporation reserves the right to request such higher limits of insurance or other types of policies appropriate to the work as the Corporation may reasonably require;

e) The Auditor shall not commence work until satisfactory evidence of insurance has been filed with and approved by the Corporation. Evidence of insurance shall be filed on the Corporation's forms .0788 and .0888 as appropriate for each type of insurance shown in (a), (b) and (c), above. Prior to the effective date of this Agreement and thereafter on renewal date of the insurance, the Auditor shall further provide that evidence of the continuation of said insurance is filed at each policy renewal date for the duration of the Agreement.

f) The Corporation reserves the right to request such higher limits of insurance or other types of insurance as it may reasonably require from time to time; failure to procure and maintain said insurance shall constitute a default under this Agreement.

The Auditor shall indemnify in an aggregate amount not to exceed $1,000,000, and hold the Corporation harmless from and against any liability, loss, claims, demands, costs, and expenses including legal fees, occasioned wholly or in part by an acts or omissions either in negligence or in nuisance whether willful or otherwise by the Auditor, its agents, officers, employees or other persons for whom it is responsible for at law.
11.0 ASSIGNMENT

11.1 This Agreement may not be assigned by either party hereto without the prior written consent of the other party. This Agreement, all its covenant promises and conditions shall ensure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

12.0 CONFIDENTIAL DATA

12.1 The Auditor shall at all times comply with the provisions of the Municipal Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c.M.5 (MFIPPA). Use, collection and maintenance of information, documents and records, communicated to and acquired, collected and created by it in the course of providing services under this Agreement shall be in accordance with MFIPPA.

12.2 The Auditor will provide access to such information only to those officers and employees that are providing audit services under this Agreement and only to the extent that the said employees and agents need to have access to provide the audit service under this Agreement.

12.3 The Auditor shall treat all information, documents and records communicated to and acquired, collected and created by it in the course of providing the services under this Agreement as confidential and shall not release or disclose the same to any person without the express written consent of the City, except as may be required by law, or by judicial or administrative process.

12.4 The Auditor shall ensure that all necessary steps are taken to protect the said information, documents and records by making all necessary security arrangements against any and all risk including without limitation to unauthorized access, use, disclosure, publication or dissemination or destruction and to ensure that the said information, documents and records do not fall into the possession of unauthorized persons, in accordance with MFIPPA.

12.5 The Auditor shall identify as confidential at the time it is supplied or communicated to the Corporation or its local boards and commissions or enterprises any trade secret or scientific, technical, commercial, financial or labour relations information, which, if revealed to the public, could reasonable be expected to:

a) prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of the Auditor with any other person or persons, or
b) result in undue loss to the Auditor or undue gain to any other person or persons.

Subject to MFIPPA, the Corporation shall not divulge any such information so supplied without the consent of the Auditor.

13.0 NOTICE

13.1 Where in this agreement any notice, request, direction or other communication is required to be given or made by either party, it shall be in writing and is effective if delivered in person, sent by ordinary or registered mail, by telegram, telex, or facsimile transmission addressed to the other party for whom it is intended at the following address, and any notice shall be deemed to have been given:

a) if delivered personally, on the date of such delivery;
b) if by ordinary mail, on the second business day following the date of mailing;
c) if by registered mail, on the day the postal receipt is acknowledged by the other party;
d) if by telegram, when transmitted by the carrier; and
e) if by telex or facsimile transmission, when transmitted (if received before 4:30 p.m. local time at the recipients office or failing which on the next business day).
Any notices intended for the Corporation shall be delivered and address to:

Catharine Saunders  
City Clerk  
The Corporation of the City of London  
300 Dufferin Avenue  
P.O. Box 5035  
London, Ontario N6A 4L9

Any notices intended for the Auditor shall be delivered and addressed to:

Ian Jeffreys  
Partner  
KPMG LLP  
1400 - 140 Fullarton Street  
London, Ontario N6A 5P2

13.2 The address of either party may be changed by notice in the manner set out above.

14.0 AGREEMENT

14.1 This Agreement constitutes the entire understanding between the parties. Any changes in, addition to, or waiver of the terms thereof must be specifically agreed upon, in writing, and signed by both parties. Failure on the part of either party to insist upon the strict observance of any of the terms and/or conditions herein shall not operate as waiver of such party's right to require future observance of any such terms or conditions.

14.2 This Agreement shall be construed and interpreted in accordance with the laws of The Province of Ontario, Canada.

IN WITNESS THEREOF the parties hereto have caused to be executed those presents by their officers properly authorized in that behalf on the day and year first above written.

Witness

Authorized Signature for KPMG LLP

Witness

Authorized Signature for KPMG LLP

I/WE HAVE AUTHORITY TO BIND THE CORPORATION

THE CORPORATION OF THE CITY OF LONDON

Witness  
Joe Fontana, Mayor

Witness  
Catharine Saunders, City Clerk
December 1, 2010

Dear Mr. Fielding

KPMG is pleased to be appointed auditors of the Corporation of the City of London pursuant to section 296 of the Ontario Municipal Act. The purpose of this letter is to outline the terms of our audit engagement commencing for the period ending December 31, 2010.

This letter supersedes our previous letter to The Corporation of the City of London and its local Boards, Commissions and other entities (Appendix D) ("the Entity"). The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK

The financial statements will be prepared and presented in accordance with Canadian accounting standards for the public sector (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT’S RESPONSIBILITIES

Management acknowledges and understands that they are responsible for:

(a) the preparation of the financial statements in accordance with the financial reporting framework referred to above.

(b) ensuring that all transactions have been recorded and are reflected in the financial statements.
such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

(d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.

(e) providing us with additional information that we may request from management for the purpose of the audit.

(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.

(g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion when management does not provide certain written representations required.

An audit does not relieve management or those charged with governance of their responsibilities.

AUDITORS’ RESPONSIBILITIES REGARDING THE AUDIT

Our function as auditors of the Entity is:

• to express an opinion on whether the Entity’s annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above and

• to report on the annual financial statements.

We will conduct the audit of the Entity’s annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable “professional standards”). We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:
identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.

form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained.

communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance. Refer to Appendix C for a listing of such matters and the form and timing of such communication.

AUDITORS' DELIVERABLES

The expected form and content of our audit report is provided in Appendix B. However, there may be circumstances in which a report may differ from its expected form and content.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

FEES

Appendix A to this letter lists our fees for professional services to be performed under this Engagement Letter.

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We are available to assist the Entity, upon request, with a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.
We are proud to serve the Entity and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements outlined are in accordance with the Entity’s requirements and if the above terms are acceptable to the Entity, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Ian J. Jeffreys, CA
Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
Direct: (519) 660-2137
IJJ/mf
Enclosure
Appendix A – Fees for professional services

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The fee for the services described in this letter is $228,350.

Our fees will be billed monthly as the work progresses.

In subsequent periods, our fees will be in accordance with the fee schedule included in our proposal to the City dated September 10, 2010.
INDEPENDENT AUDITORS' REPORT

To Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

We have audited the accompanying consolidated financial statements of The Corporation of the City of London ("the Entity"), which comprise the balance sheet as at December 31, 2010 and the consolidated statements of operations, net debt and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the City of London as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.
Appendix C – Matters to communicate

Matters required to be communicated under professional standards to the appropriate level of management include:

**Engagement partner**
- identity and role of the engagement partner

**Fraud and non-compliance with laws and regulations**
- any identified fraud or any information obtained that indicates that a fraud may exist.
- any identified non-compliance with laws or regulations or suspected non-compliance.

**Control deficiencies**
- any significant deficiencies in the Entity’s internal control that we intend to communicate to those charged with governance unless it would be inappropriate to communicate directly to management in the circumstances.
- other deficiencies in internal control that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management’s attention.

**Misstatements**
- any accumulated misstatements, other than those that are clearly trivial. Furthermore, we request that management correct all misstatements communicated.

Matters required to be communicated, on a timely basis, under professional standards to those charged with governance include:

**Engagement partner**
- identity and role of the engagement partner

**Audit approach**
- an overview of the planned scope and timing of the audit.
Appendix C – Matters to communicate (continued)

Fraud and non-compliance with laws and regulations
- any identified fraud or suspected fraud that may exist involving management, employees who have significant roles in internal control, or others where the fraud results in a material misstatement in the annual financial statements.
- any matters related to fraud that are, in our judgment, relevant to your responsibilities.
- any identified non-compliance with laws or regulations or suspected non-compliance, other than when the identified or suspected non-compliance is clearly inconsequential.

Control deficiencies
- any significant deficiencies, in writing, in the Entity's internal control.

Misstatements
- any accumulated uncorrected misstatements (amounts or disclosures) other than those that are clearly trivial. Furthermore, we request all uncorrected misstatements be corrected.

Accounting practices
- our views about significant qualitative aspects of the accounting practices including accounting policies, accounting estimates and financial statement disclosures.

Significant difficulties
- any significant difficulties that we encountered during the audit. For example, if we conclude that management's refusal to allow us to send a confirmation request is unreasonable or when we are unable to obtain relevant and reliable audit evidence from alternative audit procedures.

Significant matters
- significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management (e.g., management's consultation with other accountants, major issues discussed with management prior to retention or any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or report thereon).
- other significant matters arising from the audit, if any, that, in our professional judgment, are significant to the oversight of the financial reporting process, including those significant matters arising from the audit in connection with the Entity's related parties.

Management representations
- copies of written representations requested from management.
Going concern

- events or conditions identified that may cast significant doubt on the Entity's ability to continue as a going concern.

Reporting

- any expected modifications to the audit report.
- any expected emphasis of matter or other paragraphs in the audit report.
- management refuses to remove a scope limitation in the audit.

Other information

- any revision necessary to, or material misstatement of fact included in, financial and non-financial information which is included, either by law, regulation or custom, in a document containing the audited financial statements and our audit report thereon ("other information") that we identified when reading such information, which management refuses to correct.

- our responsibilities with respect to other information in documents containing audited financial statements.

- any significant matters resulting from the procedures performed in accordance with professional standards on the other information.

Note: Significant findings from the audit will be communicated in writing if, in our professional judgment, oral communication would not be adequate.
Appendix D

City of London
City of London Trust Funds
London Transit Commission
London and Middlesex Housing Corporation
London Public Library Board
Old East Business Improvement Area
London Downtown Business Association
London Convention Centre Corporation
Covent Garden Market Corporation
London Hydro
Middlesex-London District Health Unit - December 31st
Middlesex-London District Health Unit - March 31st
Museum London
Lake Huron Water System Joint Board of Management
Elgin Area Water System Joint Board of Management
The Public Utility Commission of the City of London
Dearness Long-Term Care Report
Dearness Day Program Report
Childcare Program envelopes-Review
Homelessness Program envelopes-Review
Homelessness Partnering Strategy - Federal Audit
Accountant's Report for MMAH
Compliance Audit with Agreement on Transfer of Federal
Gas Tax revenue and annual expenditure report
Water Financial Statements
The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter").

1. Severability

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

2. Governing Law

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located, without regard to such province's laws on conflicts of laws, disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

3. LLP Status

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from negligence or omission by another partner on behalf of any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the various Institutes/Order of Chartered Accountants. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their actions and/or actions of those they directly supervise or control.

4. DOCUMENTS AND INFORMATION

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Entity with any other member firms of KPMG International Cooperative ("KPMG International") performing services hereunder. At work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

5. INFORMATION PROCESSING OUTSIDE OF CANADA

Personal and/or confidential information (e.g., entries into KPMG's time and billing system and into KPMG's conflicts database) collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party processors. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as is afforded Canadian laws.

6. OFFERS OF EMPLOYMENT

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

7. OFFERING DOCUMENTS

If the Entity wishes to include or incorporate by reference the financial statements and notes to those statements in any report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Prior to issuing any consent, comfort or advice letter, if any, we will be expected to provide and receive as a minimum a draft and respective comments as required by the applicable standards. Management agrees to provide us with adequate notice of the preparation of such documents.

8. FEES AND EXPENSES

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues in the financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services, KPMG will invoice the Entity for any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent. Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to terms and conditions supplemental to those in this letter.

9. LEGAL PROCEEDS

The Entity on its own behalf acknowledges and agrees to cause its subsidiaries and its affiliates to acknowledge that KPMG may, from time to time:

- be required, pursuant to subpoena or other legal process, or may agree to a request by the Entity, to provide information and copies of documents in KPMG's files, including KPMG's working papers and other work-product relating to the Entity, its subsidiaries and/or its affiliates ("Information and Documentation") in judicial or administrative proceedings to which KPMG is not a party; and
- receive requests or orders from a judicial or administrative authority, professional, securities or other regulatory or governmental authorities (both in Canada and abroad, including without limitation the Canadian Public Accounting Oversight Board) to provide them with Information and Documentation.

In such circumstances, the Entity will, in good faith, make all reasonable efforts to obtain the necessary consents and agrees to cause its subsidiaries and affiliates to consent to KPMG providing information and documentation without further reference to, or authority from, the Entity or its subsidiaries and affiliates. If a request or order is directly related to an inspection or investigation of the Entity or its subsidiaries and affiliates, KPMG will advise the Entity or its subsidiaries and affiliates of the request or order, except where prohibited by law from doing so.

KPMG will not provide to the Requesting Authority Information and Documentation over which the Entity or its subsidiaries and affiliates have expressly asserted privilege, except (a) with the Entity's consent, b) where required by law, or (c) where requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority or by the Public Company Accounting Oversight Board. The Entity or its subsidiaries and affiliates will mark any document over which the Entity or its subsidiaries and affiliates have expressly asserted privilege as "privileged".

KPMG may also be required to provide information and documentation to a Requesting Authority relating to the fees that KPMG charges or collects from the Entity or its subsidiaries and affiliates for the provision of audit services, other accounting services and non-audit services, and the Entity on its own behalf acknowledges and agrees to cause its subsidiaries and affiliates to consent to the disclosure of that Information and Documentation to that Requesting Authority.

The Entity and its subsidiaries and affiliates shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

10. KPMG INTERNATIONAL MEMBER FIRMS

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement.

MAY 2010
11. CONNECTING TO THE ENTITY'S IT NETWORK.
KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

12. COMMENT LETTERS OR EQUIVALENT.
Management agrees to promptly provide us with a copy of any comment letter or request for information issued by a relevant securities regulatory authority on the Entity's continuous disclosure filings or equivalent. If any of the comments pertain to the Entity's financial statements and, when applicable, management's assessment of the effectiveness of internal control over financial reporting, management and those charged with governance agree to engage our assistance, subject to any pre-approval process, in the process of responding to such comments.

13. PUBLIC DOCUMENTS OR EQUIVALENT.
Except as otherwise specifically agreed in this Engagement Letter under "Auditors' And Management's Responsibilities Regarding Continuous Disclosure Documents", nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) when:
(i) the Entity files with securities regulatory authorities its annual financial statements and KPMG's audit report thereon;
(ii) the Entity files with securities regulatory authorities its Management's Discussion and Analysis in connection with the material in (i) above;
(iii) the Entity files with securities regulatory authorities any other continuous disclosure document containing, or incorporating by reference, the annual financial statements and KPMG's audit report thereon (e.g. Annual Reports on Form 40-F or 20-F filed on SEDAR).
If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in the above-described circumstances, we will be required to perform procedures as required by professional standards.
The Entity agrees that neither the audit report(s) nor reference to KPMG will be included in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the Securities Act (Ontario)) without KPMG's written consent as set out in section 138.1 and professional standards. Except as otherwise specifically agreed in this Engagement Letter under "Auditors' And Management's Responsibilities Regarding Continuous Disclosure Documents", any agreement to perform procedures necessary to provide KPMG's written consent or any agreement to read any other document issued by the Entity will be a separate engagement.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

ANYONE DOWNLOADING THIS DOCUMENT AND WISHING TO SUBMIT A BID MUST ENSURE THAT THEY HAVE REGISTERED WITH PURCHASING AND SUPPLY ON THE CITY OF LONDON’S WEBSITE. BY REGISTERING, YOU WILL BE ADDED TO THE BIDDERS MAILING LIST. FAILURE TO REGISTER SHALL RESULT IN YOUR BID BEING DISQUALIFIED. TO REGISTER, PLEASE COMPLETE THE REGISTRATION FORM ON-LINE. http://www.london.ca/d.aspx?=/Tenders_and_RFPs/default.htm

BIDS MUST BE RECEIVED BY PURCHASING AND SUPPLY IN A SEALED OPAQUE ENVELOPE OR PACKAGE CLEARLY MARKED WITH THE NAME AND ADDRESS OF THE RESPONDER, TITLE OF FILE AND FILE NUMBER. COMPLETED BIDS CAN BE MAILED TO PURCHASING AND SUPPLY, P.O. BOX 5035, LONDON, ONTARIO N6A 4L9 OR HAND DELIVERED (IN PERSON OR BY COURIER) TO PURCHASING & SUPPLY, 267 DUNDAS STREET, 4TH FLOOR. LONDON, ONTARIO N6A 1H2. RESPONDENTS ARE SOLELY RESPONSIBLE FOR ENSURING BIDS ARE RECEIVED BY PURCHASING & SUPPLY PRIOR TO THE CLOSING DATE AND TIME. FAILURE TO SUBMIT THE BID AS REQUESTED WILL RESULT IN IT BEING DISQUALIFIED.
The Corporation of the City of London
Request for Proposal 10-18
EXTERNAL AUDIT SERVICES

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2.2 Audit Committee
2.3 Internal Audit Services
2.4 Entities Requiring External Audit Service

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The Corporation of the City of London
Request for Proposal 10-18
EXTERNAL AUDIT SERVICES

1.0 PURPOSE

The Corporation of the City of London (hereinafter referred to as the City) is seeking Request for Proposals (hereinafter referred to as RFP) from qualified, experienced firms to provide External Audit Services to the City, including its Boards and Commissions. The City also is a member of the Joint Board of Management for each of the Lake Huron and Elgin Area Primary Water Supply Systems. The City has assumed the role of Administering Municipality responsible for the administration of the systems on behalf of the participating municipalities.

2.0 BACKGROUND

London, a City with a population of 363,000 (2009) is characterized by a diversified economic base - industrial, commercial and institutional. This has fostered an ideal climate for business investment and steady growth. The City provides the benefits of a large city with the convenience, responsiveness, economics and manageability of a smaller urban centre.

Effective with the election in October, London will have a fifteen member City Council which includes the Mayor and fourteen Councillors as the legislative and decision-making body of the Corporation.

London is a single-tier municipality. The City, including its Boards and Commissions, provides the following types of services: fire, police, transit, public works including roads, water and sewer, hydro, public health services, a home for the aged, social services, social housing, parks and recreation, libraries, museums, planning and development, a convention centre and a public market.

The above responsibilities are handled by five operating departments: Chief Administrative Officers Office, Engineering & Environmental Services, Finance, Community Services, and Planning & Development. In addition, there are several Boards and Commissions including, London Transit, London Convention Centre, Covent Garden Market, London Downtown and Old East Village Business Improvement Areas, London Public Libraries, London Middlesex Housing Corporation, Museum London, Middlesex London Health Unit, Public Utilities Commission and London Hydro Inc. In addition the City acts as administrator for the Lake Huron and Elgin Area Joint Water Boards.

The City uses the JD Edwards ERP system for all of its major corporate financial systems. The suite of systems includes human resources, payroll, general ledger and budget, accounts payable, fixed assets, fleet and facility management, purchasing and inventory. The City is in the planning stage for an upgrade to a release in version ERP9 of the JD Edwards software. This process will begin in 2011, with expected completion in 2012. There are also other significant systems: Class (POS system used for Clerks, Parking, Parks and Recreation), Vailtech for property taxes, Amanda for building permits, Goldcare/Campana for Dearness Home for the Aged, SDMT for Social Services, IKON for Provincial Offences. Many of the Boards and Commissions have their own systems for both accounting and operational needs, for example London Hydro uses SAP and Middlesex London Health Unit uses Great Plains.

The City is the sole shareholder of London Hydro Inc. and has a $70 million note receivable from its subsidiary, which bears interest at 6%.

The City is a member of the Joint Board of Management for each of the Lake Huron and Elgin Area Primary Water Supply Systems. The City of London has assumed the role of Administering Municipality responsible for the administration of the systems on behalf of the participating municipalities. As administering municipality, the City is responsible for keeping books, records and accounts, preparing capital and operating budgets, raising capital financing, holding reserve funds, and operating bank accounts. The City is also responsible with the Joint Board for having the records audited on an annual basis.

Consideration will have to be given to these and other issues, which may affect structures and technology within the organization, during the period of engagement.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

2.0 BACKGROUND...cont'd

2.1 Reporting Structures

The External Auditors are appointed in accordance with the Municipal Act, 2001. They provide specific reports to the Audit Committee of Council through the Administration. The Administration has the authority to address audit-related issues. The External Auditors are required to report to the governing bodies of local Boards and Commissions where separate audited financial statements are issued.

2.2 Audit Committee

The Audit Committee is a committee of City Council. It is composed of four or five members of the Municipal Council, and will be supplemented by external appointments. The Committee meets at least four times annually and at such other times as shall be required and determined by the Chair. It reports directly to the Municipal Council, except for matters that have to be concurred in by the Finance or other committees. The responsibilities of the Committee include satisfying itself as to the existence and terms of an Engagement Letter from the external auditors; reviewing the arrangements for the annual audit's scope, accounting principles, materiality limits, and fees; reviewing the auditor's report and audited financial statement and satisfying itself that the external auditors have no reservations about the statements; satisfying itself that there are no unresolved issues between Administration and the external auditors; reviewing the external auditor's management letter and recommending the appointment of new auditors on the advice of the Administration.

2.3 Internal Audit Services

a) New for 2010, it is planned that a firm will be reporting to Audit Committee and will be responsible for the internal audit services, which includes conducting of financial, compliance, value for money, operational, performance and other audits and reviews. The provision of the firm providing internal audit services includes providing business advisory services such as efficiency and effectiveness reviews, benchmarking, continuous improvement, and best practices reviews. Firms will have an opportunity to bid on the Request for Proposal issued for providing the Internal Audit Services, which will be issued in conjunction with this RFP, however no firm will be allowed to provide both services.

b) It is expected that the firm providing external audit services and the firm providing internal audit services will co-ordinate their efforts to maximize the audit coverage provided to the Corporation.

2.4 Entities Requiring External Audit Service

a) This RFP is a call for external audit services for:

- The Corporation of the City of London
- London Police Services Board (consolidated in City records)
- London Transit Commission
- London Public Library Board
- Old East Village Business Improvement Area
- London Downtown Business Association
- London Convention Centre Corporation
- Covent Garden Market Corporation
- London Hydro Inc.
- The Middlesex-London District Health Unit (Joint local board)
- Museum London
- Lake Huron Water System Joint Board of Management
- Elgin Area Water System Joint Board of Management
- London & Middlesex Housing Corporation
- The Public Utility Commission of the City of London
Agenda item Pa Page #

REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

3.0 SCOPE

3.1 General

a) The Municipal Act, 2001 Section 296 allows for the appointment of external auditors for a term of five years or less. The intent of the City of London is to appoint external auditors for the five (5) year term, subject to satisfactory performance, beginning with the audit of the 2010 Financial Statements.

b) The audits shall include the examination of the records and financial statements of the City and each local Board and Commission to the degree necessary to express an audit opinion on such statements. All proposals shall provide a plan and separate pricing for audit reports of each entity audited in 2009 from section 2.4, along with individual pricing for the annual reports required in 3.1.c) and d) below.

c) Also included will be all related examinations required in order to produce the Accountant's Report for the Ministry of Municipal Affairs; audit requirements for City of London Trust Funds, Dearness Services including the Long Term Care Overall Reconciliation; and the Dearness Day Program Annual Reconciliation Report. Audit requirements for the Homelessness Partnering Strategy financial statements and a review for the Province for the revenues and expenses of the Child Care funding envelopes (currently 18) and the Homelessness Program (currently 3 envelopes).


e) The work will generally not include accounting, the preparation of draft financial statements except in those limited circumstances as may be presented by some of the smallest municipal entities.

f) There are also audit or review requirements on a variety of federal and provincial funding envelopes. These are generally quoted and scheduled when they arise, as they are not consistent from year to year and are requirements through the funding program. There may also be requests for additional work at the request of council resolution. There is also the potential for a requirement for audited water financial statements, however this legislation has not currently been passed.

3.2 Annual Schedule

Before a date mutually agreed upon in November/December of each year, the auditors shall meet with the Chief Administrative Officer (or delegate) and City Treasurer (or delegate) for the City and its Boards and Commissions to discuss and agree upon;

i) a schedule, which includes all aspects of the completion and audit of the various financial statements of the Municipality for the current year;

ii) a list of the necessary schedules, working papers, analyses and other information to be prepared by the staff of the City and its Boards and Commissions.

3.3 Qualified Statements

The auditors shall immediately upon discovery of information or conditions which would otherwise lead to the inclusion of a qualified opinion with respect to any of the City's financial statements, inform and fully discuss such matters with the Chief Administrative Officer (or delegate) and the City Treasurer (or delegate) of the City. Also, the auditors shall, as far as possible, allow a reasonable time for the City to investigate, analyze, report and take corrective action so as to avoid the inclusion of such qualifications.

3.4 Meetings and Subsequent Assistance

The auditors shall attend such meetings as required to discuss their work and reports and shall provide such information as requested which will enhance the understanding of members of the Audit Committee of Council concerning matters pertaining to the annual financial statements. There is a minimum of four (4) Audit Committees annually and generally the auditors would attend one (1) annual meeting at each of the Boards and Commissions.
To provide for degree of continuity and familiarity in the provision of audit services, and given the scope and complexity of the audit, City Council will appoint the external auditor during the term of the engagement for a period of five (5) years, subject to the performance of the audit firm.

3.7 Evaluating the Auditor's Performance

During the term of the engagement, the auditor's performance will be evaluated based on the following criteria:

i) Persons assigned to the audit:
   For the initial year of the engagement, the persons assigned to the audit should be those originally proposed; and any subsequent changes to audit personnel must be acceptable to the Chief Administrative Officer (or delegate) or City Treasurer (or delegate).

ii) On-site participation of the audit senior:
   It is expected that the audit senior will be present throughout the audit.

iii) Performance in the manner proposed:
   It is expected that the audit will be carried out in the manner proposed. Any changes in the audit program which impact staff and other resources of the City shall be discussed with and agreed to by the City Treasurer (or delegate).

iv) Adherence to Audit Deadlines:
   It is expected that the audit will be completed within the time frames agreed to in the annual schedule. Significant dates for the Corporation and its Boards currently include: completion of all financial statements by about early April; Audit Committee review by May; submission of the Financial Information Return to the Province by May 31 or such other date as stipulated by the Province. The dates are approximate and may require adjustment from year-to-year depending on issues facing the Municipality.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

4.0 RFP Schedule

The following is a tentative schedule to assist proponents:

<table>
<thead>
<tr>
<th>RFP Closing Date</th>
<th>Friday, September 10, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews With Short listed Firms</td>
<td>Week of October 4 – 15, 2010</td>
</tr>
<tr>
<td>Recommendation to Audit Committee</td>
<td>Monday, October 29, 2010</td>
</tr>
<tr>
<td>Council Appointment</td>
<td>Monday, November 15, 2010</td>
</tr>
</tbody>
</table>

5.0 SUBMISSION INSTRUCTIONS

5.1 Pre-Submission Meeting

a) A Pre-Submission Meeting will be held MONDAY, AUGUST 16, 2010 at 10:00 a.m. at City Hall, 300 Dufferin Ave., London, Ontario, 2nd Floor, Committee Room #1.

b) The Purpose of this meeting is to provide an opportunity to obtain clarification regarding the requirements of the RFP. Any resultant clarifications will be documented and forwarded as an addendum to all potential respondents.

5.2 Closing Date and Time

Proposers are required to submit one (1) signed original and Eleven (11) copies of the RFP in a sealed envelope clearly identified as Request for Proposal 10-18, External Audit Services to Purchasing and Supply. Completed submission can be mailed to Purchasing and Supply, P.O. Box 5035, London, Ontario N6A 4L9 or hand delivered (in person or by courier) to Purchasing & Supply, 287 Dundas Street, 4th Floor, London, Ontario N6A 1H2 and must be received before 12:00 noon, local time, Friday, September 10, 2010. Failure to submit the Form of Proposal (pg.14) and Appendix A will result in your proposal being rejected.

Respondents are solely responsible for ensuring bids are received by Purchasing & Supply prior to the closing date and time.

5.3 Late Submissions

Proposals received by Purchasing and Supply later than the specified closing time will be returned, unopened, to the Proponent.

5.4 Period of Acceptance

The proposal submission is to remain firm for acceptance for a period of one hundred and twenty (120) days from the date of closing.

5.5 Questions/Inquiries

a) Inquiries regarding this RFP are to be directed to City of London, Purchasing and Supply, Terri Sue Wyatt, Procurement Officer, by facsimile at 519 661-5030 or e-mail to purch@london.ca. Inquiries must not be directed to other City employees or Elected Officials. Directing inquiries to other than Purchasing and Supply may result in your submission being rejected.

b) All clarification requests are to be sent in writing to the individual mentioned above. No clarification requests will be accepted by telephone. Responses to clarification requests will be in the form of Addenda which will only be posted on the City’s website.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

5.0 SUBMISSION INSTRUCTIONS...cont'd

5.5 Questions/Inquiries...cont'd
c) The City assumes no responsibility for any verbal (spoken) information from any City staff or from any Consultant firms retained by the City, or from any other person or persons who may have an interest in this Proposal. Amendments or changes to this Proposal prior to the closing date and time stated herein will only be in the form of written addenda and said addenda will be issued by the Purchasing & Supply Team of the City of London. Any Addendum will be posted on the City's Purchasing & Supply Web Site: http://www.london.ca/d.aspx?s=Tenders and RFPs/default.htm It is the Proponent's sole responsibility to check this Web Site regularly to inform itself of any posted Addendum. The City makes no promise or guarantee that addenda will be delivered by any means to any bidder. By submitting a proposal in response to this Proposal, the Proponent acknowledges and agrees that addenda shall only be posted on the City's Web Site and it is the sole responsibility of the bidder to check this Web Site for said addenda. FAILURE TO ACKNOWLEDGE RECEIPT OF ALL ADDENDA ON THE FORM OF PROPOSAL WILL RESULT IN YOUR BID BEING REJECTED.
d) Each Proponent must review all proposal documents and promptly report and request clarification of any discrepancy, deficiency, ambiguity, error, inconsistency, or omission contained therein. Any such request must be submitted to the City in writing, prior to Friday, September 3, 2010 at 12:00 noon.
e) Where a request results in a change or a clarification to the proposal, the City will prepare and issue an Addendum to this proposal as stated in 5.5c.

5.6 Rights Reserved by the City
a) The City is not liable for any costs incurred by the Proponent in the preparation of their response to the RFP or selection interviews, if required. Furthermore, the City shall not be responsible for any liabilities, costs, expenses, loss or damage incurred, sustained or suffered by any Proponent, prior or subsequent to, or by reason of the acceptance, or non-acceptance by the City of any proposal, or by reason of any delay in the award of the proposal.
b) The lowest proposal will not necessarily be accepted. The City reserves the right to accept/reject any or all proposals and/or reissue the RFP in its original or revised form.
c) The City reserves the right to request specific requirements not adequately covered in their initial submission and clarify information contained in the RFP.
d) The City reserves the right to modify any and all requirements stated in the RFP at any time prior to the possible awarding of a contract.
e) The City reserves the right to cancel this RFP at any time, without penalty or cost to the City. This RFP should not be considered a commitment by the City to enter into any contract.
f) In the event of any disagreement between the City and respondent regarding the interpretation of the provisions of the RFP, the Manger of Purchasing and Supply or an individual acting in that capacity, shall make the final determination as to interpretation.

5.7 Treatment of Information
a) The information submitted in response to this RFP will be treated in accordance with the relevant provisions of the Municipal Freedom of Information and Protection of Privacy Act and in accordance with Section 8.11, "Confidentiality of Proprietary Information", of Council Policy 21 (1). The information collected will be used solely for the purposes stated in this request.
b) The Proponent does, by the submission of a proposal, accept that the information contained in it will be treated in accordance with the process set out in this section of the RFP.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

6.0 REQUIREMENTS AT TIME OF EXECUTION

Subject to an award of the proposal, the successful Proponent is required to submit the following documentation in a form satisfactory to the City for execution within ten (10) working days after being notified to do so in writing:

1. Professional Liability Insurance Documents
2. Clearance Certificate from the Workplace Safety and Insurance Board

If the successful Proponent for any reason, defaults or fails in any matter or thing referred to under "Requirements at Time of Execution", the City reserves the right to accept any other bid, advertise for new proposals or carry out the work in any way as the City may, at its sole discretion, deem best.

6.1 Professional Liability Insurance

Evidence of financial stability (via insurance) is as important for professionals as it is for contractors and suppliers. This type of insurance is on a ‘claims made’ basis. For example, when a policy is effective from January 1, 2010 to January 1, 2011 it only covers claims made in 2010. If work is completed in December, 2010 but no claim is made until February, 2011 the policy in effect in February is the one that insures the loss – not the policy that expired on January 1st. Most errors or omissions claims are made within the first 12 months after completion of the work. To ensure coverage on the date of claim we require evidence that insurance is in effect for 12 months after work is completed.

a) Insurance and Indemnity

For the purposes of Article 6.1:

(i) ‘claim’ or ‘claims’ shall mean a claim or claims whether in contract or torts.
(ii) the ‘Professional’ includes Professional’s officers, directors, employees, representatives and consultants.

b) The successful Proponent shall obtain and maintain until the termination of this Agreement, and provide the City with satisfactory evidence of Professional Liability Insurance covering the work and services described in this Agreement, such policy to provide coverage for an amount not less than Two Million ($2,000,000.00) dollars and such insurance shall continue for twelve (12) months following completion of work.

c) The consultant shall not commence work until satisfactory evidence of insurance has been filed with and approved by the City. Prior to the effective date of this Agreement and thereafter on renewal date of the insurance, the Consultant shall further provide that evidence of the continuation of said insurance is filed at each policy renewal date for the duration of the contract. The City reserves the right to request such higher limits of insurance or other types of insurance as it may reasonable require from time to time; failure to procure and maintain said insurance shall constitute a default under this agreement.

d) The insurance shown in (a) above will not be cancelled or permitted to lapse unless the insurer notifies the City in writing at least thirty (30) days prior to the effective date of cancellation or expiry. The City reserves the right to request such higher limits of insurance or other types of insurance as it may reasonably require from time to time; failure to procure and maintain said insurance shall constitute a default under this agreement.

e) The Professional shall indemnify and hold the City harmless from and against any liability, loss, claims, demands, costs, and expenses including legal fees, occasioned wholly or in part by an acts or omissions either in negligence or in nuisance whether wilful or otherwise by the Professional or other persons for whom it is responsible for at law.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

6.0 REQUIREMENTS AT TIME OF EXECUTION...cont’d

6.2 Workplace Safety & Insurance Board

a) The successful bidder shall furnish a WSIB Clearance Certificate indicating their WSIB firm number, account number and that their account is in good standing. This form must be furnished prior to commencement of work every sixty (60) days or upon receipt of a Clearance Certificate from WSIB throughout the contract and must be submitted with final invoice before payment is made. The successful bidder further agrees to maintain their WSIB account in good standing throughout the contract period.

b) If the successful bidder is a self-employed individual, partner or executive officer who does not pay WSIB premium and is recognized by WSIB as an 'independent operator' a letter from WSIB acknowledging independent contractor status and confirming that WSIB cover is not required must be provided to the City prior to commencement of work.

7.0 TERMS AND CONDITIONS

7.1 Contract Term

The term of the contract will be for a period of five (5) years, subject to the performance of the audit firm. However, if the performance of the audit firm at the sole discretion of the City, is unsatisfactory, the City reserves the right to cancel the contract with thirty (30) days written notice, without penalty.

7.2 Taxes

HST - Extra

Goods and Services Tax/Harmonized Sales Tax (GST/HST)

All prices shall be provided in Canadian Funds; inclusive of all applicable customs duties, levies and taxes, except for GST/HST.

All Proponents shall provide their Goods and Services Tax/Harmonized Sales Tax (GST/HST) registration number in their RFP Submission Form. Note: If the Proponent is located outside of Canada and is not a GST/HST Registrant, this may not apply.

7.3 Assignment

Following award of the contract, the successful Proponent shall not, without written consent of the Manager of Purchasing and Supply make any assignment or any subcontract for the execution of any service or product hereby proposed.
7.0 TERMS AND CONDITIONS...cont’d

7.4 **Compliance with the Accessibility for Ontarians with Disabilities Act, 2005**

The Contractor shall ensure that all its employees, agents, volunteers, or others for whom the Contractor is legally responsible receive training regarding the provision of the goods and services contemplated herein to persons with disabilities in accordance with Section 6 of Ontario Regulation 429/07 (the "Regulation") made under the Accessibility for Ontarians with Disabilities Act, 2005, as amended the "Act"). The Contractor shall ensure that such training includes, without limitation, a review of the purposes of the Act and the requirements of the Regulation, as well as instruction regarding all matters set out in Section 6 of the Regulation. The Contractor shall submit to the City, as required from time to time, documentation describing its customer service training policies, practices and procedures, and a summary of its training program, together with a record of the dates on which training was provided and a list of the employees, agents volunteers or others who received such training. The City reserves the right to require the contractor to amend its training policies to meet the requirements of the Act and the Regulation.

7.5 **Changes in Law**

The parties acknowledge that performance of the obligations required hereunder may be affected by changes in applicable laws of the Province of Ontario. In the event of a change in applicable legislation that results in a material impact on the performance of any act required by this Agreement, the Parties shall renegotiate the provisions of this Agreement to achieve mutually acceptable terms for the performance of acts required hereunder. If the Parties are unable to agree on the revised terms and conditions either Party may submit the dispute to arbitration in accordance with the provisions of the Arbitration Act S.O. 1991, C. 17.

7.6 **Exclusion Of Proponent In Litigation**

a) The City may, in its absolute discretion, reject a proposal submitted by a Proponent if the Proponent, or any officer or director of the Proponent is or has been engaged, either directly or indirectly through another corporation, in a legal action against the City, its elected or appointed officers and employees in relation to:

i. Any other contract or services; or  
ii. Any matter arising from the City’s exercise of its powers, duties, or functions.

b) In determining whether or not to reject a proposal under this clause, the City will consider whether the litigation is likely to affect the Proponent’s ability to work with the City, its consultants and representatives, and whether the City’s experience with the Proponent indicates that the City is likely to incur increased staff and legal costs in the administration of the contract if it is awarded to the Proponent.

7.7 **Exclusion Of Proponent Due To Poor Performance**

a) The General Manager shall document evidence and advise Purchasing and Supply in writing where the performance of a supplier has been unsatisfactory in terms of failure to meet contract specifications, terms and conditions or for Health and Safety violations

b) The City Treasurer may, in consultation with the City Solicitor, prohibit an unsatisfactory supplier from bidding on future contracts for a period of up to three (3) years.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

8.0 SUBMISSIONS REQUIREMENTS

8.1 General

a) The City is requesting proposals from firms who are both interested and capable of undertaking the project.

b) The onus is on the Proponent to show their knowledge, understanding and capacity to conduct the work outlined in the RFP.

c) The responses will be assessed according to how well they assure the City's success in relation to the submission requirements. The detail and clarity of the written submission will be considered indicative of the Proponents expertise and competence.

d) All information provided in response to this RFP must contain sufficient detail to support the services being proposed. Incomplete submissions will not be considered.

e) All prices must be stated in Canadian funds. Prices must also be inclusive of customs, duty and freight.

8.2 Administration Fee

a) Proponents who elect to retrieve the information from the City's website, www.london.ca will not be charged the administrative fee noted below, but must complete the Registration Form as instructed on the web page.

b) Proponents who do not elect to retrieve the proposal information from the City's website will be required to submit a $25.00 administrative fee with their proposal in the form of a cheque or Canadian Currency. Cheques are to be made payable to the "City Treasurer". Failure to do so will result in a delay in processing of the bid. Please refer to section 4.5c) Questions/Inquiries regarding the issuance of all addenda.

c) Proponents who have not submitted a bid or remitted the administrative fee will be removed from future bidder's lists.

8.3 Mandatory Requirements

The following mandatory requirements are identified for inclusion in proposal submission:

FAILURE TO SUBMIT MANDATORY REQUIREMENTS WILL RESULT IN THE SUBMISSION BEING REJECTED.

Your proposal submission MUST follow the following format:

In order to receive a uniform format of response from all Proponents, the Proposal must be formatted as follows:

a) Title page which will include the Proponent's legal name, address, telephone and fax numbers, e-mail address and name of primary contact and date.

b) At least one (1) original signed "Form of Proposal" MUST be submitted with the proposal submission.

c) Satisfactory evidence that the partner(s) is (are) licensed under the Public Accountancy Act.

d) Indicate compliance with Section 296 of the Municipal Act; 2001.
8.0 SUBMISSIONS REQUIREMENTS...cont'd

8.4 Audit Firm Technical Requirements

a) Provide a list of the firm's current and prior largest municipal clients indicating the type(s) of service performed, the number of years served for each client. Please include specific examples of audits related to the implementation of PS1200 and PS3150 from the Public Sector Accounting Handbook. Please also provide a list of any experience auditing Electrical Distribution entities. Please provide the names and phone numbers of senior staff of these municipalities or Electrical Distribution entities that may be contacted as references.

b) Provide evidence of any research, education and knowledge with respect International Financial Reporting standards.

c) Please elaborate on any involvement with the Ontario Energy Board (OEB), and/or any special task forces or projects that the firm has been involved with in the Ontario Electricity Regulation Environment.

d) Indicate the firm's experience in providing auxiliary services to include commodity tax services, technology and security audit expertise to municipal clients by listing the name of each client, the type(s) of services performed, and the local office which provided the service.

e) Show evidence of well-developed professional auditing techniques to evaluate systems of internal control and review for audit work performed.

f) Provide evidence firm has experience in auditing a large, complex and computerized municipality.

g) Firms must show evidence they have substantial expertise, resources and support services available to perform the audits consistently from one year to the next, in an expeditious manner and within the required time frames.

8.5 Audit Personnel Technical Requirements

a) Include resume(s) and experience profile of the Proponent's principal contact person(s) who will be responsible for this contract.

b) Describe the experience in municipal audits of the partner, manager/supervisor, and senior assigned to the audit including years on each job and their position on each audit. Describe the role of each member of the audit team assigned to the audit including staff in specialized areas such as computer auditing or commodity tax specialists.

c) Indicate the local office(s) where the staff will be located, which office will be assigned the audit and provide a detailed list of audit staffing and their positions.

d) Describe the relevant educational background of each individual assigned to the audit. This should include seminars and courses attended within the past two years related to PSAB and IFRS, also please include any related details on corporate income tax and Scientific Research and Experimental Development tax Credits.

e) Describe any specialized skills, training and background in public finance by assigned individuals. This may include participation in municipal or provincial consulting assignments, speaker or instructor roles in conferences or seminars or authorship of articles and books.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

8.0 SUBMISSIONS REQUIREMENTS...cont’d

8.6 Audit Approach

Describe the firm’s approach to the audit. This should include at least the following points:

(i) Type of audit program used;
(ii) Use of statistical sampling (techniques and automated tools);
(iii) Use of computer audit specialists;
(iv) Organization of the audit team and approximate percentage of time spent on the audit by each team member.

8.7 Advisory Services and Publications

Information should be included in the proposal regarding any advisory services which may be available to the municipality free of charge on routine matters. These may include staff assistance and/or publications relating to the economy, income tax, payroll tax, commodity and excise taxes, employment benefit plans, management, cash management, Scientific Research and Experimental Development Tax Credits etc.

8.8 Fee Schedule

a) A listing of proposed fees for each of the five years, detailed by specific municipal entity must be included. Also included will be a fee for each of the five years for other annual requirements listed in section 3. Appendix A should be completed with the annual fees.

b) For each municipal entity and annual report, a schedule of the estimated hours of involvement of each member of the audit team is to be included.

c) A lump sum fee to complete the Scope of Work as detailed including all disbursements and related costs.

d) The Proponent is required to submit a schedule of proposed hourly rates for all project personnel (names optional) by classification for a determination of pricing for additional and/or optional work, as outlined in section 3.1.f). This supplemental information is not part of the evaluation criteria.

8.9 General

a) Provide a brief explanation of why your firm should be selected (specific, detailed, verifiable information). Also, include comment on any ideas respecting the audit function that your firm believes the City should consider.

b) The onus is on the proponents to show their knowledge, understanding and capacity to conduct the work outlined in the RFP. The proposals will be assessed according to how well they assure the City of success in relation to the RFP requirements. The detail and clarity of the written submission will be considered indicative of the proponent’s expertise and competence.

9.0 EVALUATION CRITERIA

9.1 Evaluation Team

Proposals will be evaluated by an evaluation team with representation from all key functional areas including Finance, London Hydro Inc., Middlesex London Health Unit, the London Transit Commission and Purchasing and Supply.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

9.0 EVALUATION CRITERIA...cont’d

9.2 Evaluation Process

a) The Evaluation Team reviews all proposal submissions and will consider overall completeness and suitability of the responses. All responses will be evaluated against the pre-determined evaluation criteria.

b) A short list of eligible firms will be recommended by the Evaluation Team to the Audit Services Selection Committee for interview and evaluation. This Committee consists of the members of the Audit Committee as well as the City Treasurer, Chief Financial Officer and the Deputy City Treasurer. This Committee will be supported by members of the Evaluation Team. The recommended firms will be required to participate in an interview/presentation for final recommendation.

9.3 Evaluation Criteria

The evaluation criteria may include but not be limited to the following:

i) Municipal audit experience and references;
ii) Utility audit experience and references;
iii) Experience providing specialized services;
iv) Skills and experience of personnel assigned in areas of public sector auditing, public finance and specialized areas;
v) Audit program and techniques;
v) Computer audit experience;
vii) Staffing plan;
viii) Ability to meet service needs of the City on an interactive basis; and
ix) Audit fee

9.4 Presentation Process

The interview/presentation will consist of a brief presentation by the Proponent (no more than twenty minutes) and then to answer questions and ask questions of the representatives of the City. The interviews/presentations will be scheduled between October 5-15, 2010.

The interview/presentations shall be evaluated by the Audit Services Selection Committee based on the following criteria:

i) Presentation
ii) Responses to questions
iii) Overall completeness and suitability of the Proponent to undertake the project.

9.5 Selection Process

The Audit Services Selection Committee will recommend the appointment of an audit firm to the Board of Control, who will make a recommendation to Council. City Council makes the final decision on the appointment of an audit firm. It is anticipated that a firm will be appointed by City Council prior to the end of November 2010.

BY RESPONDING TO THIS RFP, PROPONENTS ACKNOWLEDGE THAT THE EVALUATION TEAM IS SOLELY RESPONSIBLE FOR RECOMMENDING THE SUCCESSFUL PROPOINTER TO CITY COUNCIL AND THAT CITY COUNCIL MAKES THE FINAL DECISION.
REQUEST FOR PROPOSAL 10-18
EXTERNAL AUDIT SERVICES

10.0 FORM OF PROPOSAL

AT LEAST ONE SIGNED ORIGINAL OF THIS FORM OF PROPOSAL MUST BE INCLUDED IN YOUR SUBMISSION

10.1 Please state terms of payment (Note: Early payment discounts will be considered in the award of the contract, and will apply after taxes):

10.2 I/we, the undersigned authorized signing officer of the Proponent, HEREBY DECLARE that no person, firm or corporation other than the one represented by the signature (or signatures) of proper officers as provided below, has any interest in this proposal.

10.3 I/we further declare that all statements, schedules and other information provided in this proposal are true, complete and accurate in all respects to the best knowledge and belief of the Proponent.

10.4 I/we further declare that this proposal is made without connection, knowledge, comparison of figures or arrangement with any other company, firm or persons making a proposal and is in all respects fair and without collusion for fraud.

10.5 I/we further declare that the undersigned is empowered by the Proponent to negotiate all matters with the Corporation representatives, relative to this proposal.

10.6 I/we further declare that the agent listed below is hereby authorized by the Proponent to submit this proposal and is authorized to negotiate on behalf of the Proponent.

10.7 I/we have allowed for Addenda numbered as follows: #_____ through to #_____.

Failure to acknowledge all addenda will result in your proposal being rejected.

COMPANY NAME:

ADDRESS:

CITY/PROVINCE:

POSTAL CODE/ZIP CODE

AUTHORIZED SIGNATURE: TITLE

NAME (Please print or type):

TELEPHONE NUMBER ( ) FAX NUMBER ( )

GST REGISTRATION #

HST REGISTRATION #

EMAIL ADDRESS

DATE OF PROPOSAL

NOTE: Please return page 14 on or before 12:00 Noon, Local Time, FRIDAY, SEPTEMBER 10, 2010.
Request for Proposals 10-18
EXTERNAL AUDIT SERVICES

City of London

KPMG LLP
1400 – 140 Fullarton Street
London, ON N6A 8P2
September 10, 2010

Ian Jeffreys
519-660-2137
519-672-0504

AUDIT • TAX • ADVISORY
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Disclaimer

This proposal is made by KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent firms affiliated with KPMG International, a Swiss cooperative, and is in all respects subject to the satisfactory completion of KPMG's client acceptance procedures, as well as negotiation, agreement, and signing of a specific engagement letter or contract. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-a-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.
Form of Proposal

Request for Proposal 10-18 External Audit Services

10.1 Please state terms of payment (Note: Early payment discounts will be considered in the award of the contract, and will apply after taxes): Our fees will be billed as work is undertaken. Our invoices are payable within 30 days of receipt.

10.2 I, the undersigned authorized signing officer of the Proponent, HEREBY DECLARE that no person, firm or corporation other than the one represented by the signature (or signatures) of proper officers as provided below, has any interest in this proposal.

10.3 I further declare that all statements, schedules and other information provided in this proposal are true, complete and accurate in all respects to the best knowledge and belief of the Proponent.

10.4 I further declare that this proposal is made without connection, knowledge, comparison of figures or arrangement with any other company, firm or persons making a proposal and is in all respects fair and without collusion for fraud.

10.5 I further declare that the undersigned is empowered by the Proponent to negotiate all matters with the Corporation representatives, relative to this proposal.

10.6 I further declare that the agent listed below is hereby authorized by the Proponent to submit this proposal and is authorized to negotiate on behalf of the Proponent.

10.7 I have allowed for Addenda numbered as follows: # 1 through to # 3. Failure to acknowledge all addenda will result in your proposal being rejected.

COMPANY NAME: KPMG LLP
ADDRESS: 1400-140 Fullarton Street
CITY/PROVINCE: London, Ontario
POSTAL CODE/ZIP CODE: N6A 5P2
AUTHORIZED SIGNATURE: [Signature]
NAME (Please print or type): Ian Jeffreys
TELEPHONE NUMBER (519) 680-2137 FAX NUMBER (519) 672-5684
GST REGISTRATION #: 122363153 RT0001
HST REGISTRATION #: 122363153 RT0001
EMAIL ADDRESS: ijeffreys@kpmg.ca
DATE OF PROPOSAL: Friday, September 10, 2010
Eligibility

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<th>Your Requirements</th>
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<td>Licensed under the Public Accountancy Act.</td>
<td>Under the Public Accountancy Act, individual KPMG partners are licensed to practice as Public Accountants.</td>
</tr>
<tr>
<td>Compliance with Section 296 of the Municipal Act, 2001.</td>
<td>KPMG is in compliance with the Municipal Act, 2001.</td>
</tr>
<tr>
<td>Substantial experience in auditing large, complex and computerized municipalities.</td>
<td>The firm — and our proposed team — has extensive experience serving large municipal governments, agencies, and utility clients with a variety of needs. A detailed overview of the Ontario municipalities we audit and provide other professional services to is on page 6 of this proposal. Our electric utility clients are listed on page 8.</td>
</tr>
<tr>
<td>Well-developed professional auditing techniques to evaluate systems of internal control and review for audit work performed.</td>
<td>KPMG's size and global resources, combined with the breadth of our client base, allows us to support significant investments in our audit methodology, tools, training and technology. A detailed description of our audit methodology begins on page 30. KPMG strives to deliver service of the highest quality to all of our clients at all times. This objective is met in two ways. First, we focus on quality during fieldwork stages by requiring our partners and managers to review the work in the field as it is completed rather than back in the office. Second, our firm's service and technical review policies provide a double check to ensure we meet our clients' needs and maintain a high level of technical excellence. Our quality control and review procedures are outlined on page 12.</td>
</tr>
<tr>
<td>Substantial resources/support services available to audit efficiently in an information systems environment that entails distributed data entry, relational data base management and an open client server environment.</td>
<td>Our Information Risk Management (IRM) professionals are an integral part of our audit process. Our IRM practice focuses on the risks inherent in the technology systems that support our clients' business objectives. As part of the engagement team, our highly-skilled IRM professionals have the knowledge and experience to consider technology risk and controls both at the strategic and the process level. Our IRM professional have experience with all major integrated software solutions packages, including J.D. Edwards.</td>
</tr>
<tr>
<td>Substantial expertise, resources and support services available to perform the audits consistently from one year to the next, in an expeditious manner and within the required time frames.</td>
<td>Our London office, with support from our Southwestern Ontario business unit, will be responsible for staffing the audit of the City and its local Boards and Commission, and also for ensuring that all your needs and expectations are met. We know that continuity of staff is essential in maintaining a strong working relationship. As we've proven in the past, you will have our best people working to give you timely, cost-effective advice. We commit to providing annual continuity of personnel. While turnover in staff is inevitable, we minimize the impact of this through staff training and succession planning on specific engagements. We will discuss staffing with you during our audit planning meetings each year to assure you that any unavoidable staff changes have been appropriately addressed to your satisfaction.</td>
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Our Proposal to Serve The Corporation of the City of London 2
Our Understanding of Your Needs

The City of London has issued an RFP to select external auditors to perform financial statement and attest audits of the City's financial statements and its local boards and commission for the years 2010 to 2014 inclusive. You require an audit firm that is knowledgeable and experienced in performing audits of comparable size and complexity; offers a highly qualified service team; has an audit approach that will provide all of the deliverables you require from the engagement in accordance with your desired timelines; and can provide value for the fees they charge. In this section, we explain why we believe that KPMG is the firm best able to meet these requirements.

As your audit firm for the past several years, we are uniquely positioned to perform audits which are based on your key business risks.

As part of the engagement, KPMG shall:

- Issue its audit opinions
- Meet with the appropriate management representatives to discuss the draft management letter
- Issue a year-end management letter to the City of London, following completion of the fiscal year's financial statements
- Review and recommend additional notes or changes to the notes of the financial statements as required
- Attend such meetings as are called to discuss our work and provide such information as requested
- Submit to the Province of Ontario the Financial Information Return audit questionnaire
- Work with outsourced internal audit functions to maximize efficiency and effectiveness of the audit

Your RFP specifies that the engagement also requires the same external auditor to provide audit services for the following:

- The Corporation of the City of London
- London Police Services Board (consolidated in City records)
- London Transit Commission
- London Public Library Board
- Old East Village Business Improvement Area
- London Downtown Business Association
- London Convention Centre Corporation
- Covent Garden Market Corporation
- London Hydro Inc.
- The Middlesex-London District Health Unit
- Museum London
- Lake Huron Water System Joint Board of Management
- Elgin Area Water System Joint Board of Management
- London & Middlesex Housing Corporation
- The Public Utility Commission of the City of London

From our experience with the City of London and in the Municipal sector, we are proficient with all of the above and are committed to exceed your expectations.

Our Proposal to Serve The Corporation of the City of London
8.4 Audit Firm Technical Requirements

KPMG has more than 5,000 partners, professionals and support staff in 33 offices across Canada. We are a leading provider of audit, tax and advisory services to Canadian organizations. Our Audit practice assists clients in the course of opinioning on financial statements, with evaluating processes and controls, and interpreting complex accounting and reporting standards. KPMG's Tax practice focuses on helping clients find opportunities for significant tax savings and apply them to their full potential. We also offer tailored tax planning advice by which to help achieve the greatest competitive advantage. KPMG's Advisory services draw on the skills and experience of specialized professionals to help address challenges relating to operational improvement and efficiency, performance and technology, and risk and compliance.

KPMG in London

In London, KPMG has over 90 staff, including 11 partners and associate partners, 22 senior managers and managers, 46 senior and staff accountants, and 20 administrative and technical support staff who provide a full range of audit, tax and advisory services to clients in a number of industry sectors. We have the qualified and experienced resources to successfully support your audit service requirements. Our local strength is complemented by regional, national, and international resources. KPMG encourages the sharing of information and people between offices which allows us to provide quality, timely service to our clients.

8.4 a) Experience in Municipal Auditing

KPMG’s public sector clients include federal, provincial and local governments; crown corporations, agencies, boards and commissions; universities, colleges and school boards; hospitals as well as non-profit organizations. We audit substantially more public sector organizations on the combined Financial Post 800, Report on Business 1000 Public and Report on Business 350 Private (2009) than any other accounting firm; with a 33% market share nationally. As leading external auditors and business advisers to this select group of organizations serving the interests of the public, KPMG’s professionals have extensive experience helping local governments. We understand the challenges such entities face, and our commitment to serving their needs has brought us many long-term clients in the sector. In addition, we work with several organizations representing the interests of financial professionals in the public sector, and are active in several trade associations through our participation in various government industry conferences and events.

- **Public Sector Training** – KPMG professionals have developed course materials for several of the provincial Institutes of Chartered Accountants relating to government financial reporting based on the standards and principles set out in the Public Sector Accounting Board (PSAB) standards. Our professionals also deliver this training on behalf of many of the provincial Institutes, and serve as board members and participate on various task forces.

- **The Canadian Institute of Chartered Accountants (CICA)** - All members of the audit team are qualified Chartered Accountants and members of their respective institutes. They have completed training related to public sector accounting and conform to the high ethical and professional standards of the CICA. The audit staff assigned to the audits will be qualified Chartered Accountants or CICA articling student members.

- **The Government Finance Officers Association (GFOA)** - For years, KPMG has attended and provided speakers at GFOA's annual conferences. Several KPMG partners act as reviewers for GFOA’s Canadian Award for Financial Reporting (CanFr) program for excellence in financial reporting. As the leader in auditing and advising large governments in North America, we have frequent exhibitors of products and services at GFOA events.

- **The Municipal Finance Officers Association (MFOA)** – KPMG has been the external auditor of MFOA for the last several years, with members attending its annual conference.

- **Association of Municipalities of Ontario (AMO)** – KPMG has been the external auditor of AMO for the last several years, with members attending its annual conference.

- **Association of Municipal Managers, Clerks and Treasurers of Ontario** – In addition to being the external auditors of the Association, KPMG has been involved in many of its programs for more than 15 years and has been a sponsor of recent conferences and seminars.

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Our audit experience covers the broad range of organizations that comprise the local government sector. Many of our municipal clients include a number of boards and commissions, utilities, public library boards, health units, museums, historical boards and BIA's. It is important that we understand legislation affecting these entities as well. We are knowledgeable in the audit and completion of a wide variety of settlements for programs conducted by our clients. Members of our engagement team have direct experience in many of these types of boards and commissions as a result of their broad municipal experience and service to the City of London during the past 11 years.

Our Commitment to the Public Sector

Experience with Relevant Systems

KPMG professionals are familiar with JD Edwards and SAP systems, as well as Class, Amanda and others. Our clients use these systems and our staff are technically capable of auditing in these environments. IT Resource, Paul Loughran, has extensive experience with all of the systems listed in your RFP which he has accumulated over nine years of working with many municipal clients.

Audit Committee Institute

KPMG has been at the forefront of developing guidance and thought leadership designed to assist directors and senior executives in managing their evolving responsibilities with respect to corporate governance. KPMG's Audit Committee Institute was created to help audit committees meet their financial reporting oversight role. Initiatives include semi-annual publication of Audit Committee Updates, a toll-free information hot line, an external Web site for audit committee members, and periodic electronic distribution of time-sensitive information via Accountability e-Let. One of the most successful initiatives of KPMG's Audit Committee Institute is the Audit Committee Roundtable series, presented semi-annually.

PS1200 and 3150 Experience

Our team for the City has significant experience advising and auditing municipal governments. We have extensive knowledge and experience working with PSAB and assisting our municipal clients with their PSAB financial reporting requirements. We are very familiar with the PSAB standards and bring our expertise and experience with other municipalities to our clients. We understand the interaction between PSAB and the accounting policies followed by London Hydro, and the accounting and presentation requirements of your investment in London Hydro. We have assisted clients with reporting their investment in the hydro utility and the corresponding equity in the hydro utility.

PS1200 and 3150 Experience

Please refer to the chart on page 6 of this proposal for our experience providing these services to municipal clients.

Experience Auditing Electrical Distribution Entities

KPMG’s Energy & Natural Resources practice (ENR) – in which Power & Utilities play a leading part – is one of the fastest growing and most successful sectors within the KPMG network of member firms. We serve municipally owned companies, investor-owned utilities, electric cooperatives, independent power producers (IPPs), and exempt wholesale generators. KPMG provides audit and tax services to a majority of the top utilities, IPPs, and gas and electricity marketers. Based on KPMG’s analysis of the Financial Post 800, Report On Business Public 1000 and Report On Business Private 350 reports for 2009 in Canada, KPMG in Canada audits more organizations in the Power & Utilities sector than any other professional services firm – 25% of those listed.

For London Hydro, this means professionals who have a deep understanding of issues in the Power & Utilities sector and rate regulated accounting. Each of your team members for London Hydro serves several hydro utilities. London Hydro will benefit from this investment in the industry. We will monitor developments from the Ontario Energy Board and ensure that you are in compliance with their requirements. We will bring issues forward to you early for your consideration. We communicate extensively with our many utility clients and industry organizations (i.e., Ontario Energy Board and the Independent Electricity System Operator). We work out solutions for a broad group of clients, the costs are shared amongst all of our clients which helps ensure consistency across the sector. Therefore, where issues require additional work, you don’t have to pay to “invent” the wheel. KPMG’s commitment to the energy industry is also demonstrated by participation in the Energy Council of Canada, where we sponsor its annual Energy Conference. We are also members of the Electricity Distributors Association and the Ontario Energy Network.
8.4 b) Research, Education and Knowledge with Respect to IFRS

KPMG has helped hundreds of clients around the world convert to IFRS since 2002. Our conversion methodology draws on our work with clients in parts of the world that have already adopted IFRS, while addressing the special concerns of the Canadian business environment. It focuses on all major areas of an organization affected by the transition – Accounting & Reporting, Systems & Processes, Business, and People – according to four phases: Initial Assessment, Detailed Assessment, Design, and Implementation. Our approach is systematic and robust, and is designed to ensure that all relevant issues are effectively identified, resolved and communicated. It is also modular and scalable and will be adapted as required to meet client needs. While respecting the limits of client confidentiality, we will also provide insights on how comparable organizations have addressed similar challenges in the course of their transition.

Over the past few years we have assisted a number of Canadian companies and many hydro utilities in Ontario in assessing the impact of adopting IFRS and performing gap analysis, which has added to the development of our IFRS resources here in Canada. These engagements have required in-depth knowledge and research of IFRS—not only of the standards themselves, but more important how such standards are interpreted and applied in practice. We have firsthand experience in Canada of researching complex IFRS issues and have developed strong relationships with senior technical partners in other IFRS jurisdictions.

8.4 c) Involvement with the Ontario Energy Board and Ontario Electricity Regulation Environment

At KPMG we believe staying current on industry, regulatory, and accounting issues is critical to the success of the audit process. The electricity distribution sector in Ontario is extremely unique amongst other businesses and is highly regulated. Many times the unique nature of the sector and the regulation have very significant impacts on financial reporting and the rate setting process. In order to fully appreciate and understand the impacts to the sector and the regulations, we must stay up to speed on the developments. KPMG takes this need very seriously.

The following is a description of our programs and activities that ensure that we stay current with regulatory and industry developments and IFRS:

- KPMG has invested heavily in the sector in Ontario. With a client list that includes a significant majority of the large and medium sized utilities in the province, we have developed a critical mass of professionals who provide service in the sector.
- KPMG in Ontario has established a specific LDC Group. This group consists of audit, tax and advisory professionals who work extensively in the sector. The group shares ideas, issues and best practices to ensure a smooth, consistent and proactive delivery of service to our LDC clients.
- KPMG monitors the OEB website for any information relating to accounting, reporting and rate setting within the province, including updates to the Accounting and Procedures Handbook, Frequently Asked Questions, Webinars, and Rate Orders, and discusses the impacts of these with our clients.
- We have assisted our clients with their responses to interrogatories received during the rate setting process with the OEB. In your recent rate application, we provided you with support for your current overhead allocations.
- KPMG has performed engagements for the OEB, most recently on the impacts of IFRS and review of updates to the Accounting Procedures Handbook. This “hands on learning” is shared directly amongst our LDC Group.
- KPMG regularly reviews the requirements for electricity distributors contained in the Distribution System Code and the Electricity Distribution Rate Handbook issued by the OEB, as well as the Electricity Act, 1998.
- KPMG is a member of the Electricity Distributors Association (EDA) and the Ontario Energy Network and regularly attends the functions of these important industry groups.
- Informally, members of our LDC group meet with individuals within the OEB and IESO to discuss accounting and regulatory issues and share these insights directly amongst our LDC Group.
- All KPMG members involved with publicly accountable entities attend annual IFRS training developed in house at KPMG. Furthermore, more senior members of the LDC Group adapt that training to the electricity sector in Ontario. With our broad client base, we share issues of IFRS and their impact to LDCs in Ontario.
8.4 d) Experience Providing Auxiliary Services

Municipal Clients
KPMG has provided significant strategic and other advisory services to municipalities in Ontario. Each of the services described below is provided by leading specialists in their field teamed with professionals who understand the structure and environment of local government. We work with local government officials and politicians every day — we understand what makes local government unique and the legislative framework you must operate within. Areas where we serve local government include the following:

Governance and Enterprise Risk Management — Many organizations manage risk exceptionally well in one area, only to find that problems strike in another. That is why risk must be considered an enterprise-wide issue with strategic, operational, financial, and systems-related implications. KPMG’s Governance and Enterprise Risk Management Services helps clients identify, assess, and proactively manage the risks that threaten business goals. We draw on leading practices in helping to embed risk management throughout the entire organization. We help bring full awareness of what could go wrong in all aspects of the business, from strategic goals to business risks, earnings, financing, and stakeholder value, and assist with developing a contingency plan for all material risks, a way to report to stakeholders on the spectrum of risks facing the organization, and much more.

Activity Based Costing — Activity-Based Costing helps organizations assess their efficiency, compare performance to the competition, target opportunities for improvement and execute more effective expenditure and resource allocations. For a number of years, companies have been reaping the benefits from the use of Activity Based Costing and many of the concepts are finding their way into the financial planning and analysis arena. The fundamental concept associated with this approach is to understand exactly where the demand/demand volume originates within the entire organization, determine the value derived/generated and determine the cost. This in turn facilitates a process whereby management can determine if the amount of cost at a given level of volume/demand and the generated value meets the basic goals of the organization. Most companies that are in the process of embarking on this methodology or have implemented this concept have determined that this is a supplemental tool to aid their existing budget and forecasting process and not a replacement.

Indirect Taxes —Not only can our team help recover sales tax dollars, we can help establish or fine tune processes for collecting sales tax most appropriately. We can also provide advice in ruling requests and tax interpretations, due diligence reviews, and assistance in tax compliance responsibilities to avoid interest and penalties related to tax assessments.

Information Technology Risk Management — KPMG Information Risk Management (IRM) advisors provide IT audit support to our external audit teams in the evaluation of financial results and related system-based control elements. Our delivery team has the specialized technical knowledge and experience to audit the IT environment and applications used to support our clients’ financial processes. KPMG applies globally established methodologies in the execution of the work and in support of a controls-based audit approach. IRM assists in the audits of clients across various industries and markets, and works in teams designed to leverage the group’s extensive industry and ERP/financial systems expertise.

Some specific engagements we have undertaken for other municipalities in Ontario include the following:

- Municipal Development Process — Provided these services to the municipalities of Chatham, Mississauga, Oshawa, Kingston, Lincoln, Milton, London, Burlington, Hamilton, Vaughan and County of Essex.

- Organizational Review — Conducted an operational review of the Windsor Public Library and provided facilitation support in the development of a plan to transition the museum from the Windsor Public Library to the City of Windsor.

- Indirect Tax Compliance and Review — Assisted a number of municipalities and other public sector organizations with indirect tax management processes.

- Review of Municipal Development Processes — Reviewed the processes in the planning, engineering and building departments to identify opportunities for improved efficiency and effectiveness and to streamline processes. Worked with the client to understand existing processes, flow of data, and uses of information to identify opportunities for enhancement. A comparator survey of other municipalities was also conducted to ascertain how the municipality functioned relative to others.

- Special Gas Tax Funding Audit Requirements — KPMG provided recommendations to the Association of Municipalities of Ontario (“AMO”) in clarifying the compliance audit requirements of the agreements between municipalities and AMO. The result of these recommendations was a simpler audit requirement that lead to less effort and less cost to each municipality.

- Planning and Business Process Improvement — Assisted the City of London with a review of their planning and development function and provided suggestions for the improvement of efficiency and effectiveness. KPMG also participated in a corporate wide review to determine opportunities for cost savings.

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Restructuring – Assisted the County of Oxford and the lower tier municipalities within the County in assessing potential service restructuring options to save costs and increase efficiencies.

Municipal Benchmarking – Assisted with the development and refinement of KPMG’s finance function benchmarking tool and have used this tool with several local government clients. The results of the benchmarking process are presented to assist clients in moving their finance function to best in class status.

Local Public Sector Shared Services – Worked with 13 public sector organizations in a municipal jurisdiction, including municipalities, school boards, universities, colleges and hospitals, to examine the potential for various shared services options.

Electrical Distribution Clients

There is a lot of uncertainty in the electrical distribution market in Ontario. Our significant experience in this area means that we understand the issues facing hydro and electricity distributors. London Hydro will be impacted by the following issues:

- As regulatory requirements continue to develop and evolve, the LDCs have increasing workloads to manage while trying to keep costs down. The workload pressures make it difficult to tackle all the required tasks and allow time for longer term and strategic initiatives.
- As the industry continues to change and the business model becomes more corporate, personnel have a continuing need for training in both the technical and managerial areas.
- To ensure customers and staff are aware of all developments in a timely manner external and internal communication strategies need to be established and executed.
- Many changes have been required to billing processes and these changes continue. Emphasis needs to be placed in ensuring that customer service is at the appropriate level of dependability.
- The continued drive to maintain rate of return and the pressure that is likely to come from performance based regulation suggest that initiatives that create economies of scale should be pursued. These initiatives could include shared services arrangements, mergers, and internal business process improvement endeavours.
- The corporation continues to have opportunity to take more advantage of existing technology and needs to keep up with developments in technology that would enhance corporate performance.
- Many accounting and regulatory issues continue to remain uncertain or unknown. Examples include the impact of IFRS proposals on rate regulated accounting, IFRS on the rate setting model, the future of certain aspects of electricity supply in the province, the rollout of Smart Meters and Time of Use billing and the impacts of the Green Energy Act.
- The OEB Regulatory and Audit branch is placing greater pressures on LDCs for accuracy in reporting compliance. Furthermore, the OEB has denied rate applications for the recovery of prior years’ costs where errors in accounting were prevalent.

KPMG’s Ability to Assist With These Issues

Our experience in the electricity sector and our functional expertise – a considerable portion of which is located in Southwestern Ontario – puts us in a strong position to assist you with many of the issues described. Some examples of our ability to assist are summarized as follows:

- Our experience in the electricity sector with the OEB, LDCs and their affiliates gives us strong insights and qualifications to assist with many of the issues London Hydro is facing. We can assist with issues connected with PIs, regulatory asset recovery, cost of service analysis, shared services arrangements, mergers and many other areas.
- Our professionals have been involved with many LDCs in the implementation of IFRS. Through our involvement we have provided proactive advice, considering not only the accounting impacts but the impacts to rate setting processes.
- Our professionals have experience in the development of balanced scorecard approaches and the related compensation arrangements.
- We have performed business-case analysis for new business opportunities on behalf of clients and we have assisted with the development of specific business plans.
- Our information risk management professionals have assisted many clients with their technology needs.
- Internal control assessment and enhancement is a core skill for our professionals and we have provided this service regularly to electric utilities and others.
- Some of our advisory services professionals are skilled in managerial training concepts and have provided such training and coaching in the past.
Some specific engagements we have undertaken in the area of electrical distribution include:

**Enwin Powerlines – Regulatory Asset Assistance.** KPMG developed a detailed estimate of the costs that would have been incurred, under normal project management conditions, to install a Customer Information System (CIS) to meet the requirements for opening of the retail market. This counter-factual estimate was needed because the actual circumstances of the client’s implementation process did not meet certain tests required by the OEB for cost recovery.

**Ontario Energy Board – IFRS Transition.** On behalf of the OEB, KPMG prepared a report on the impacts of IFRS on regulated utilities in Ontario. The report identified accounting differences that will arise with IFRS and the alternatives available to address these differences. The report then assessed the implications of the alternatives for ratepayers, utilities, and the rate making process. The report helped inform OEB policy setting with respect to regulatory accounting requirements.

**Ontario Energy Board – Review of Asset Management Practices.** On behalf of the OEB, KPMG recently completed a major review of asset management practices in the Ontario electricity distribution sector. This study encompassed activities for inspection, maintenance and capital planning. The study included the development of a framework for evaluating decision-making approaches. It was based on field visits to a number of participating LDC’s, a survey questionnaire, a review of practices in other jurisdictions, and a review of utility filings on the issue of asset management.

**Enwin Utilities – Development of Cost Allocation Methodology.** KPMG developed a cost-allocation methodology for Enwin Utilities, which is an affiliate of the local electricity distribution company in Windsor. Enwin Utilities provides a variety of shared services to the electricity LDC, the water commission, a telecommunications provider, and a competitive energy affiliate. Services provided include finance, human resources, customer service, stores management, and fleet management. Our cost allocation methodology takes into account the underlying cost drivers in various departments, and calculates end-user shares based on a detailed assessment of services provided.

**Toronto Hydro – Treatment of Tax Variances.** During the OEB’s 2006 EDR process, KPMG prepared a report for Toronto Hydro on the treatment of tax variances in the LDC rate-setting process. At issue was the treatment of variances between actual and forecast taxes in a regime where revenue and expense variances are not subject to true-up. KPMG then provided expert testimony on the OEB hearing on our findings and conclusions. Our report was supported by a number of major players in the LDC sector, including Hydro One, Hamilton Utilities Corporation, and PowerStream.

Our firm is in an excellent position to deliver added value as an extension of the audit services we provide. We will deliver practical and pragmatic advice directed towards making optimal use of resources, safeguarding key assets and identifying opportunities to improve controls. We commit to being proactive, as well as offering timely and quality service throughout the engagement.

#### 8.4 e) Internal Control and Review for Audit Work Performed

KPMG’s commitment to integrity demands that we constantly strive to uphold the highest professional standards in terms of providing high quality service. To do so, we have implemented a quality control system that ensures that we perform at a consistently high level and comply with the profession’s standards as well as our own, even more rigorous standards.

An effective risk management and quality control program contributes to KPMG’s success as a professional services organization. That effectiveness depends on the active participation of KPMG personnel, for which reason KPMG member firms are required to train their staff on adhering to risk management and quality control policies and procedures in carrying out their activities.

Our field professionals also have real-time guidance and support from KPMG’s National Assurance and Professional Practice, a resource for keeping KPMG service teams advised of emerging issues, regulatory views, and the application of accounting and auditing standards to better respond to their clients.

Quality Performance Review Program – OPR reviews are an integral part of KPMG’s risk assessment program and the risk management process. The reviews assess how KPMG personnel conduct and manage engagements. The reviews also serve to attest to the performance of KPMG member firms in terms of compliance with KPMG policies, standards, and procedures that have been established for practice management and engagement conduct. The objective is to ensure that as a firm we meet the following standards:

- Established policies for risk management and engagement conduct consistent with international and firm policies
- Communicated these policies effectively to all personnel
- Designated individuals to serve as sources of risk management and professional practice information
- Applied the established policies and standards in managing the practice and conducting individual engagements, and
- Established a process for regularly monitoring the practice’s compliance with national and international policies, standards, and procedure.
• Delivering audit opinions to numerous not-for-profit and public-sector clients, regularly consulted on technical accounting issues, researching possible alternative accounting treatments, and assisting clients in selection of appropriate accounting positions.

• Member, Joint Committee of Imagine Canada and Ontario Non-Profit Network in response to Public Sector Accounting Board’s Invitation to Comment on Not-for-Profit Accounting Standards.

• Serving as key advisers on the application and adoption of evolving PSAB standards into key public documents of the Province of Ontario.

KPMG maintains active local government sector audit service team networks in Ontario and across the country. These networks meet regularly to address financial reporting issues of importance to our clients.

Professional Practice and Risk Management

KPMG National Assurance and Professional Practice (NAPP) serves as a resource for keeping KPMG service teams advised of emerging issues, regulatory views, and the application of accounting and auditing standards to better respond to their clients. This dedicated group of partners and other professionals provides ongoing technical guidance and support for field professionals on a real-time basis, together with senior technical professional practice partners in operating offices.

Audit Technology at KPMG

In keeping with our commitment to continuous improvement and to maintain our position as a market leader, KPMG invests heavily in software technologies designed to help us serve clients better and work more efficiently. As a preferred customer of some of the biggest players in high-tech, we have early access to cutting-edge technologies that we adopt or integrate into our capabilities to bring greater value to our clients.

Tools used by KPMG professionals in support of the audit of financial statements include:

• EurekaITM (also known as Caseware) - An electronic tool that is activity-based and is designed based on the audit workflow. The adoption of this tool in all our audits will contribute to more efficient and effective audits and will transform the way we work as professionals and the way we work with our clients.

• eAuditIT - A global electronic audit management tool created by KPMG to provide the methodology, guidance, and industry knowledge needed to perform the most efficient, highest quality audit possible.

• VectorITM - A robust online tool for analyzing client risks, documenting our work, managing workflows, and leveraging information such as key performance indicators, business models and benchmarking.

• IDEA (also known as CAATS) - A powerful, data management tool that allows audit personnel to manipulate data to extract content with common criteria.

• KPMG Monetary Unit Sampling (KPMG MUS) - An IDEA application that provides a statistically based sampling technique which reduces sample sizes.

• AssuranceSource Online - A research application that delivers internal and external accounting, auditing, financial reporting, and professional practice information to KPMG auditing and accounting professionals.
Ability

We believe that KPMG has demonstrated its ability to deliver in several areas we know to be of importance to the City of London:

- **Continuity** – We have had a long history of working with the City of London. Professionals such as Ian Jeffreys and Silvia Reck are well known to you and have been for many years. They have an understanding of the City and the background behind many of the issues that you are facing. Reappoint KPMG as your auditors and all of this valuable knowledge will be retained. There will also be none of the disruption or risk associated with an auditor transition – no risk that the audit work will be delayed or fall behind.

- **Strong Working Relationships** – You know our firm and our people well. Our track record is strong. Our staff communicate regularly with their counterparts at the City. Ian meets regularly with senior management. You have our assurance that we will continue to provide the City with the excellent service you have received from us in the past.

- **Continuing to Bring a Fresh Perspective** – We have worked consistently and collaboratively with the City to improve the year-end process. Further, KPMG has deepened its municipal advisory skills as a result of our recent acquisition of Chartwell. This knowledge and experience will be available to the audit team serving you.

- **Going Beyond the Audit** – We strive continually to go beyond the pure financial statement audit to provide feedback to management on the need for improvements in financial controls and process. We believe that our track record in that regard speaks for itself.

- **Auditing Large Organizations with Sophisticated On-line Computer Systems** – Our audit and computer specialists have the skills and experience required to audit effectively in your computerized environment. Our audit approach integrates the review of the effectiveness of computerized controls for key systems that are important to producing reliable financial statements.

- **Rapid Access to Senior Team Members and Multidiscipline Professionals** – The City has always had ready access to our professionals. You will continue to get our best people, including tax professionals such as Don MacDonald, Advisory resources such as Jennifer Roedding Niles as well as IRM resources such as Paul Loughran.
8.5 Audit Personnel Technical Requirements

KPMG is confident that the quality and skills of each member of our team greatly add to the value of our audit. We carefully staff our engagements with professionals selected for their relevant technical qualifications, strong municipal credentials, and track record in helping municipalities meet a variety of challenges similar to the City's. The team's strong credentials, business minded approach, and commitment to quality service delivery and open communication will enable us to confirm that issues are dealt with promptly and in an open and transparent manner.

KPMG proudly presents our team for the City of London. You will see at a glance that the relevant skills and expertise of these professionals sets our firm apart. You will also notice a great deal of continuity with the familiar professionals you have dealt with in the past. From KPMG’s position as the leading municipal auditors by market share in Ontario and across Canada, flows a decisive depth and range of municipal audit expertise that is second to none. Staff members assigned to the City team has attended internal training courses and have been extensively trained in areas affecting your operations within their area of expertise. These areas include, but are not limited to, PSAB, IFRS, sales and local taxes and scientific research & experimental development. These skills will continue to translate – tangibly and meaningfully – into an efficient and effective audit, productive working relationships with your people, ongoing improvements in processes and controls, and minimal disruption.

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8.7 Advisory Services and Publications

At KPMG, we believe that providing new information and perspectives is a vital part of our role in serving our clients. The City of London will benefit from our knowledge and our work on issues facing other municipalities and public sector organizations. We will continue to take the initiative in keeping you informed of cost-saving opportunities, new and emerging regulatory requirements, and pitfalls to be avoided.

- **Updates on Accounting Developments and Other Emerging Issues** – As part of the financial statements audit service, and at no additional charge, Ian Jeffreys and Silvia Racik will continue their practice of meeting on a regular basis with Finance department management to discuss accounting changes and emerging issues, both within the City and beyond, in the external environment, that might affect your operations or financial reporting. Ian and Silvia will also continue to attend all Audit Committee meetings whether or not KPMG has any items on the agenda.

- **Taxation Services** – KPMG has provided tax services to the City of London in past years. We provided support to management, for example, with respect to employee withholding tax issues and indirect tax issues. We will continue to inform you proactively of opportunities that may be seized in these areas.

- **Information Risk Management (IRM)** – Maintaining and enhancing industry-leading IT capabilities is a key to the City’s success. Without appropriate project risk management, IT projects can easily exceed their budget and timeline, possibly failing to deliver their intended benefits. Without compromise to our independence as auditors, KPMG’s IRM professionals can assist the City by assessing project risk management and providing quality assurance.

- **Forensic Services** – KPMG’s Forensic practice provides a full spectrum of investigative, litigation support and other fraud prevention and detection services.

We will ensure that the City continues to have access to industry knowledge through KPMG’s seminars and other industry-related events.

- **Board of Directors Update** – A publication issued twice a year to provide Board of Directors with current and relevant information to consider when establishing the agenda for their next meeting.

- **Accountability e-Lert** – A specialized e-mail information service for senior officers, board members and administration and finance members. It covers significant developments in financial reporting and corporate governance.

- **Information Seminars** – Recent seminars have included training on accounting and tax changes affecting municipalities and new Canadian Accounting Standards for Financial Instruments. Annually, we hold an accounting update seminar for our clients.

**Thought leadership**

We will continue to provide the City with KPMG publications of relevance to public sector organizations. Tough Choices Ahead: The Future of the Public Sector is a KPMG white paper that examines the effects of the economic downturn on the public sector in six countries: Australia, Canada, Germany, the Netherlands, the UK and the US. For this survey, 124 senior executives in different public sector organizations were interviewed. The research shows that, in the short term, public sector organizations are focusing on efficiency measures – including reducing procurement costs and reducing headcount – to deal with static or shrinking budgets and higher spending.
8.8 Fees

Value for Money

The City of London is an important client to the London office and our Southwestern Ontario municipal government practice. We value our relationship over the past 11 years, and look to strengthen it in the years to come.

As professional advisors, we understand your need to maximize value for the fees you pay. We strive to keep fees at the lowest possible level consistent with high professional standards and top quality service. At the same time, we understand that you do not want to compromise quality on the audit. In balancing thoroughness with cost effectiveness, it is essential that quality be maintained. Our commitment is to provide value for money. This is achieved through: assigning the most qualified people to serve you; our network of resources and experience, supported by a solid track record of success with clients in the municipal sector; performing an efficient, effective audit, tailored to your specifications, and delivered on your timetable; and effective planning, cooperation and communication.

As the auditors of a publicly accountable entity, we are keenly aware that political risk and materiality differ significantly from financial statement risk and materiality. We have been careful in evaluating your susceptibility to political risk throughout our audit of the financial statements and will continue to perform this service in the future. Financial pressures are a reality of the municipal environment. We understand the issues you face in respect of providing ratepayers a high level of service with a finite level of resources. We know that you expect value for fees paid and we believe that we have provided you value beyond our fees. We also understand that we are responsible for honouring any commitment we make to you with respect to fees, and we believe our performance over the last eleven years is proof of our ability to deliver on our commitment. The fees quoted in our last proposal were competitive and fair. We have not billed in excess of those fees for any City of London entity, with the exception of additional work undertaken as a result of the implementation of mandated Public Sector Accounting Board pronouncements that were not envisioned at the time our proposal was prepared. We expect to be able to honour our fee commitment to you for the next five years, notwithstanding any changes in the amount of audit work associated with any new requirements to opine on internal controls or any other significant changes in government policy that expand the scope of our audits.

As part of our ongoing effort to provide services that exceed your expectations and continue to strengthen the relationship we have built over the last 11 years, we would like to provide the following to the City as part of our proposal.

Leadership Workshop in Lean Six Sigma Methodology
KPMG is a leader in Canada in the provision of Lean Six Sigma training and consulting. Lean Six Sigma is a methodology, a set of tools and a way of thinking. The methodology focuses on improving internal processes to enable organizations to respond to stakeholders better, faster and with less waste. The goal of the methodology is to allow organizations to provide the highest quality product or services at the lowest cost, in the shortest amount of time possible and with maximum flexibility to both internal staff and stakeholders.

We would be willing to provide a 1 day leadership workshop for members of the City and the Boards and Commission. The workshop would be tailored to include elements of several of the lean modules including Lean principles, demand and customer value and an introduction to quality tools and techniques (including how to identify waste and non-value added effort in your processes. Attendees will leave the session with a basis of lean fundamentals and examples of how to apply Lean thinking in the public sector.

Advisory Services
If appointed, we’d be pleased to provide $25,000 of advisory services to the City of London at no cost. The type of advisory project undertaken by the City would be completely of your choosing. As we have demonstrated in this proposal, we offer a very wide range of advisory services that could be used within the Corporation or any of its local Boards or Commissions to bring value to the City.
Our Proposed Fees

KPMG is committed to providing the City with a competitive fee structure that is fair to both parties over the long term. We have provided high-quality, comprehensive, timely and value-based professional services in the past and we commit to continue to provide our services in this manner in the future with the expectation that you will receive value beyond our fees.

Our base audit fees are inclusive of the following:

- All audit work required to provide the required Auditors' Reports as outlined in Section 2.4 and other procedures required to produce reports suitable for the Ministry of Municipal Affairs as outlined in Section 3.1(d) and 3.1(e) of the Request for Proposal;
- Preparation and presentation of the results of our audit;
- Preparation and presentation of the management letter; and
- Out of pocket expenses for all overhead/administrative fees

### Consolidated financial statements City of London
- 2010: $83,750
- 2011: $84,700
- 2012: $89,900
- 2013: $87,300
- 2014: $89,900

### Consolidated financial statements City of London Trust Funds
- 2010: $2,500
- 2011: $2,500
- 2012: $2,500
- 2013: $2,500
- 2014: $2,500

### London Transit Commission
- 2010: $13,800
- 2011: $13,700
- 2012: $13,900
- 2013: $14,100
- 2014: $14,400

### London Public Library Board
- 2010: $9,100
- 2011: $9,200
- 2012: $9,300
- 2013: $9,500
- 2014: $9,700

### Old East Village Business Improvement Area
- 2010: $1,300
- 2011: $1,300
- 2012: $1,300
- 2013: $1,300
- 2014: $1,300

### London Downtown Business Association
- 2010: $1,800
- 2011: $1,800
- 2012: $1,800
- 2013: $1,800
- 2014: $1,800

### London Convention Centre Corporation
- 2010: $7,100
- 2011: $7,200
- 2012: $7,300
- 2013: $7,400
- 2014: $7,500

### Covent Garden Market Corporation
- 2010: $8,800
- 2011: $9,000
- 2012: $9,000
- 2013: $9,100
- 2014: $9,300

### London Hydro Inc.
- 2010: $33,400
- 2011: $33,800
- 2012: $34,300
- 2013: $34,900
- 2014: $35,600

### Middlesex-London Health Unit - December 31st
- 2010: $7,100
- 2011: $7,200
- 2012: $7,300
- 2013: $7,400
- 2014: $7,500

### Middlesex-London Health Unit - March 31st
- 2010: $6,100
- 2011: $6,200
- 2012: $6,300
- 2013: $6,400
- 2014: $6,500

### Childcare Program envelopes - Review
- 2010: $5,100
- 2011: $5,200
- 2012: $5,300
- 2013: $5,400
- 2014: $5,500

### Homelessness Program envelopes - Review
- 2010: $4,000
- 2011: $4,000
- 2012: $4,100
- 2013: $4,200
- 2014: $4,300

### Homelessness Partnering Strategy - Federal Audit
- 2010: $3,500
- 2011: $3,500
- 2012: $3,500
- 2013: $3,600
- 2014: $3,700

### Museum London
- 2010: $7,000
- 2011: $7,100
- 2012: $7,200
- 2013: $7,300
- 2014: $7,400

### Lake Huron Water System Joint Board of Management
- 2010: $5,300
- 2011: $5,400
- 2012: $5,500
- 2013: $5,600
- 2014: $5,700

### Elgin Area Water System Joint Board of Management
- 2010: $5,300
- 2011: $5,400
- 2012: $5,500
- 2013: $5,600
- 2014: $5,700

### London and Middlesex Housing Corporation
- 2010: $14,200
- 2011: $14,400
- 2012: $14,600
- 2013: $14,800
- 2014: $15,100

### The Public Utilities Commission of the City of London
- 2010: $1,500
- 2011: $1,500
- 2012: $1,500
- 2013: $1,500
- 2014: $1,500

### Water Financial Statements
- 2010: $1,300
- 2011: $1,300
- 2012: $1,300
- 2013: $1,300
- 2014: $1,300

### Accountant's Report for the Ministry of Municipal Affairs and Housing
- 2010: $1,000
- 2011: $1,000
- 2012: $1,000
- 2013: $1,000
- 2014: $1,000

### Dearness Long-Term Care Report
- 2010: $2,800
- 2011: $2,800
- 2012: $2,800
- 2013: $2,900
- 2014: $2,900

### Dearness Day Program Report
- 2010: $2,800
- 2011: $2,800
- 2012: $2,800
- 2013: $2,900
- 2014: $2,900

### Compliance Audit with Agreement on Transfer of Federal Gas Tax Revenue and Annual Expenditure Report
- 2010: $1,000
- 2011: $1,000
- 2012: $1,000
- 2013: $1,000
- 2014: $1,000

### Total Professional Fees
- 2010: $228,350
- 2011: $230,900
- 2012: $234,000
- 2013: $237,600
- 2014: $242,100

### HST
- 2010: $29,688
- 2011: $30,017
- 2012: $30,420
- 2013: $30,889
- 2014: $31,473

### Total
- 2010: $258,036
- 2011: $260,917
- 2012: $264,420
- 2013: $268,486
- 2014: $273,573

Our Proposal to Serve The Corporation of the City of London
Estimate of Hours

It is our policy that our audit senior and field staff be present at our client's location throughout most of the audit fieldwork. Partner and manager reviews are also primarily conducted at our client's location. Performing such reviews in the field results in more efficient and effective completion of the audit engagement and contributes to improving lines of communication with our clients. Below is the approximate time spent on the audit of all the entities covered in your Request for Proposal based on our previous experience as your auditors.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Staff</th>
<th>Senior</th>
<th>Manager / Senior Manager</th>
<th>Partner</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>200</td>
<td>100</td>
<td>75</td>
<td>700</td>
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<tr>
<td>Consolidated financial statements City of London Trust Funds</td>
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<td>3</td>
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<tr>
<td>London Transit Commission</td>
<td>70</td>
<td>70</td>
<td>30</td>
<td>20</td>
<td>180</td>
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<tr>
<td>London Public Library Board</td>
<td>40</td>
<td>40</td>
<td>12</td>
<td>8</td>
<td>100</td>
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<tr>
<td>Old East Village Business Improvement Area</td>
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<td></td>
<td>5</td>
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<td>London Downtown Business Association</td>
<td>30</td>
<td></td>
<td>5</td>
<td>2</td>
<td>37</td>
</tr>
<tr>
<td>London Convention Centre Corporation</td>
<td>-</td>
<td>40</td>
<td>10</td>
<td>5</td>
<td>55</td>
</tr>
<tr>
<td>Covent Garden Market Corporation</td>
<td>-</td>
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<td>10</td>
<td>5</td>
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<tr>
<td>London Hydro Inc.</td>
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<td>110</td>
<td>30</td>
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<td>270</td>
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<tr>
<td>Middlesex London Health Unit - December 31st</td>
<td>75</td>
<td>40</td>
<td>15</td>
<td>10</td>
<td>140</td>
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<tr>
<td>Middlesex London Health Unit - March 31st</td>
<td>20</td>
<td>40</td>
<td>10</td>
<td>5</td>
<td>75</td>
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<tr>
<td>Childcare Program envelopes - Review</td>
<td>-</td>
<td>25</td>
<td>7</td>
<td>3</td>
<td>35</td>
</tr>
<tr>
<td>Homelessness Program envelopes - Review</td>
<td>15</td>
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<td>20</td>
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<tr>
<td>Homelessness Partnering Strategy - Federal Audit</td>
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<tr>
<td>Museum London</td>
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<td>10</td>
<td>5</td>
<td>55</td>
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<tr>
<td>Lake Huron Water System Joint Board of Management</td>
<td>30</td>
<td>10</td>
<td>7</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Elgin Area Water System Joint Board of Management</td>
<td>30</td>
<td>10</td>
<td>7</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>London and Middlesex Housing Corporation</td>
<td>40</td>
<td>60</td>
<td>25</td>
<td>15</td>
<td>140</td>
</tr>
<tr>
<td>The Public Utility Commission of the City of London</td>
<td>10</td>
<td></td>
<td>3</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Water Financial Statements</td>
<td>10</td>
<td></td>
<td>3</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Accountant's Report for the Ministry of Municipal Affairs and Housing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dearness Long-Term Care Report</td>
<td>20</td>
<td></td>
<td>4</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Dearness Day Program Report</td>
<td>20</td>
<td></td>
<td>4</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Compliance Audit with Agreement on Transfer of Federal Gas Tax Revenue and Annual Expenditure Report</td>
<td>7</td>
<td></td>
<td>2</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>894</td>
<td>755</td>
<td>310</td>
<td>189</td>
<td>2148</td>
</tr>
</tbody>
</table>

Fees for Services Outside the Audit

Any time we take on a new assignment (outside of our normal audit engagement) that will result in an additional billing, we will discuss the scope and timing with you and agree on a reasonable fee before starting the work. The rates we charge are dependent upon the level of staff required, the nature of the project, and the time of year. The following table shows the hourly rates that are used as a basis for setting fees for services performed outside the audit.

<table>
<thead>
<tr>
<th>Partner</th>
<th>Senior Manager</th>
<th>Senior Accountant</th>
<th>Staff Accountant</th>
</tr>
</thead>
<tbody>
<tr>
<td>$325 - $375</td>
<td>$225 - $275</td>
<td>$150</td>
<td>$100</td>
</tr>
</tbody>
</table>

Our Proposal to Serve The Corporation of the City of London 37
8.9 Additional Information

With this proposal submission, we ask the Corporation of the City of London to reappoint KPMG as your external auditors for the following key reasons:

Why KPMG

The Quality and Value of Our Work
KPMG has served as external auditors to the City of London for the past 11 years. We are proud of our track record, and proud to have you, and the many wonderful executives and members of your staff, as clients.

We have delivered efficient and effective audit services. We have always met your deadlines. We assisted with significant accounting changes (PSAB standards and subsequent amendments such as tangible capital asset reporting); supported internal controls projects; and assisted London Hydro with its SR&ED claims. KPMG has always come in on budget. Our billings have not exceeded agreed-upon fees. We have happily provided informal advice to you — in meetings, by email or over the phone — at no charge.

As it has been, so it will be. Reappoint KPMG and we will draw on our strong knowledge of the City’s systems and processes in continuing to perform our work efficiently and with minimal demands on your people. We will continue to help you anticipate accounting standards and other changes and avoid regulatory pitfalls. We will continue to bring to your attention practical and valuable ideas for control and process improvements.

A First-Class Team of Professionals
You will be served by a team of skilled and experienced municipal audit professionals. Several of them you know well, and know you can depend on. Ian Jeffrey, Audit Partner, you know extremely well. Ian has served on our audit for the City of London for 11 years, the last four as Audit Partner. He will continue to lead our audit and be responsible for day-to-day audit planning and delivery. As always, he will provide technical advice to you proactively and ensure we deliver our work on time. Ian will regularly seek your feedback on our work and team and ensure that we meet ever-higher levels of client service excellence. Jim Cassidy will continue as Engagement Quality Control Reviewer; Silvia Radic and David Arnold as Audit Senior Managers; and Don MacDonald as Tax Partner. Jane Adams, Indirect Tax Associate Partner, will continue to provide indirect tax advisory services. Paul Loughran will serve as Information Risk Management Senior Manager. We also have additional advisory and tax resources, including Jennifer Roedding Niles and Ray Porter who have completed engagements for the City, and will be available to the City as required.

Value Flowing from Unmatched Credentials

KPMG is the leading auditor of large municipalities across Ontario by market share. We audit 54% of all Ontario municipalities with in excess of $200 million in revenue. We have extensive local and national experience in Public Sector Accounting Board standards, information risk management, tax and other issues as these relate to municipalities.

The City of London will continue to get the benefit of this market leadership: access at all times to deep local bench strength in skilled municipal auditors in order to meet your timelines; the right answer the first time on technical matters; and professionals with a wide range of audit, accounting and specialized expertise — in local government.
The Right Approach

In our audit approach and work plan you will find strong evidence that KPMG knows the way... knows what to focus on and why... based on our knowledge of the City of London and large municipalities across the province. And, finally, our approach is proactive. We will carry on taking the initiative – always – to give you practical ideas for improvements. We will work collaboratively with you to meet the challenges and seize the opportunities ahead.

Ian and other members of our team have become trusted advisers to the City of London, including Mike Turner, Tom Johnson and other senior executives in the finance function, members of management in other departments, Chief Administrative Officer Jeff Fielding, and members of Council. These are productive and valuable business relationships that are delivering genuine value to the City in the form of efficiencies in the audit, improvements in processes and controls, and minimal disruption to daily business activities and affairs, as well as demonstrable monetary savings.

We ask that you reappoint KPMG for the reasons above. We value your business and truly enjoy working with you. You will continue to receive nothing but our best effort and a 100% commitment to service excellence.

Demonstrated efficiency solutions

Our audit process is designed to facilitate a decreased demand on our client’s staff and to ensure that fees are as low as possible, while still delivering a quality audit. Other ways we provide efficiencies are:

- Digital Approach to the Audit – Over the past couple of years we have moved all of our clients to a digital file. For the City, we will collect as much information as possible electronically. All client service staff are equipped with personal scanners for this purpose. This provides us with an efficient process for compiling and reviewing audit files. It means there is no printing of files and file updates for changes or new information are automatic. This initiative is also part of our Environmental Performance Initiative.
- Primary Contact – Ian Jeffreys is your primary KPMG contact for all entities within this RFP. Having a primary contact in place allows for the efficient transfer of knowledge as it impacts the multiple reporting entities within the audit process.
- Staff Continuity – We place a high priority on staff continuity for our audit engagements. With strong continuity, we are better able to maintain an efficient flow of information between the audit team and City staff, as well as within the audit team. Where audit team members need to be added or replaced, our extensive municipal, not-for-profit, and insurance client base permits us to deploy audit staff with the appropriate experience.
- Tailored allocation of work tasks – At KPMG, we don’t employ a “one size fits all” approach to the audit and the preparation of audited financial statements. For certain entities within the City, we will compile the financial statements based on information provided by management and subjected to audit procedures. Through consultation with the key client contacts and understanding of the relative skills and resources in the area of external financial reporting, we have agreed that it would be most efficient for KPMG to compile the audited financial statements. While this approach is not ideal in all circumstances, it can be a very effective way to reduce the demands on internal resources at minimal cost to the City.
- Strong personal relationships and understanding – We will work with the City’s management to refine the audit process in order to support effective client preparation. We will work with your staff to identify ways to achieve the audit objectives with the reports and analysis that have already been prepared by your staff rather than requesting working papers solely for audit purposes.
Commitment to Terms and Conditions

KPMG LLP agrees to be bound by the proposal terms, conditions and descriptions of services to be provided as stated in the Request for Proposal 10-18 and as stated herein, upon acceptance of the proposal by the Corporation of the City of London, subject to any negotiation, agreement and signing of specific contracts.

September 10, 2010
Ian Jeffreys, CA
Partner
Like the City of London, a Strong Commitment to Social Responsibility

At KPMG, we recognize that the strength of our Firm and of the communities in which our clients, partners and employees live, and work, are mutually interdependent and connected. And so we dedicate ourselves in tangible ways to being engaged with all our communities. We are passionate about social responsibility, and continually "raising the bar" on our involvement. We do this because it's the right thing to do.

- **KPMG Volunteers** - Now in its seventh year, KPMG Volunteers is a firm-organized initiative that provides all KPMG people (5,000+) with a day off to volunteer in their communities. In 2009, over 3,200 KPMG people from across Canada participated in a wide range of volunteer activities in support of 176 organizations, over and above their regular volunteer roles.

- **CEO Community Excellence Awards** - In 2004, to recognize KPMG people who are making an outstanding contribution to their communities, we established the CEO Community Excellence Awards. Every year, up to 20 KPMG people who have gone above and beyond in their volunteerism are personally recognized by our CEO and the Firm makes a cash donation to the charity of their choice.

- **United Way** - KPMG is a proud sponsor of the United Way.

- **Climate Change** - Recognizing the seriousness of the challenges of climate change and the need for a global response, KPMG became the first of the "Big 4" accounting firms to announce a global climate change strategy in April 2008.

- **Employer of Choice** - KPMG strives to offer employee benefits that enhance people's employment experience at the Firm. KPMG was named one of Canada's Top 100 Employers in 2009 by MacLean's magazine, the sixth consecutive year we have received this honour. We are also among the GTA's Top 90 Employers, according to a ranking by the editors of Canada's Top 100 Employers.

- **Canada's Best Diversity Employers 2009** - The Canada's Best Diversity Employers competition recognized KPMG as being among the nation's leaders in workplace diversity and inclusiveness. We were also recognized as a 2009 Best Employer for New Canadians. This award is presented to employers across Canada that lead their peers in creating workplaces that welcome new Canadians and allow them to make the most of their skills, education, and talents. One of only 20 finalists, KPMG was recognized as excelling in welcoming new Canadians.