



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Date: December 14, 2005  
Author: Terry Corrigan  
Phone No.: 604-873-7225  
RTS No.: 05640  
CC File No.: 05-9100-50  
Meeting Date: January 17, 2006

TO: Vancouver City Council  
FROM: General Manager of Corporate Services/Director of Finance  
SUBJECT: Appointment of External Auditor for 2006

#### RECOMMENDATION

- A. THAT Council authorize the accounting firm of KPMG LLP ("KPMG") be confirmed as the City's External Auditor for the fiscal year 2006 in accordance with the terms of the Form of Agreement between the City and KPMG to supply audit services to the City for a period of five years commencing with the audit of the 2003 fiscal year.
- B. THAT the audit fee be set at \$155,375 (exclusive of GST). Funding is included in the 2006 Operating Budget.

#### CITY MANAGER'S COMMENT

The City Manager RECOMMENDS approval of this report.

#### COUNCIL POLICY

On December 10, 2002, Council approved the appointment of KPMG as the City's External Auditor for a five year term commencing with the fiscal year 2003. This appointment is

subject to confirmation on an annual basis in order to meet the requirements of Section 230 of the Vancouver Charter.

## PURPOSE

The purpose of this report is to recommend confirmation of KPMG as the City's External Auditor for 2006.

## DISCUSSION

The City's audit service requirements include:

- Auditing of the City's annual financial statements for the year ended December 31, 2006 in accordance with generally accepted auditing standards.
- Reporting to Council on or before April 30 of the following year, an opinion on whether or not the financial statements, which include all City boards as well as all owned and controlled corporations, fairly present the City's financial position and results of operations in accordance with generally accepted accounting principles for local governments.
- Providing as part of the annual audit, advice and recommendations on the City's management and internal control procedures.
- Attending meetings with City officials as required for the planning and review of the external audit process and the financial statements.
- Responding to requirements and duties of the auditors as outlined in the provisions of the Vancouver Charter in Sections 231 to 235.
- Auditing the Vancouver Public Housing Corporation's annual financial statements for the year ending December 31, 2006 in accordance with generally accepted auditing standards.

Effective for the fiscal year ended December 31, 2005, the Canadian Institute of Chartered Accountants, the body that establishes generally accepted auditing standards in Canada, has revised the standards to require more extensive procedures and specific documentation in conducting an audit under Canadian generally accepted auditing standards. As a result, the number of hours required to conduct the audit of the City has increased significantly. Management has discussed these new standards with KPMG and agreed to a corresponding fee increase in the aggregate amount of \$8,176 for the City and the Public Housing Corporation in accordance with the provisions of the service agreement with KPMG for increases in audit scope. This adjustment will impact the annual fees to be paid for audit services for the balance of the contract with KPMG which expires with the audit of the 2007 financial statements.

## FINANCIAL IMPLICATIONS

The fee proposal for 2006 is \$155,375 (exclusive of GST). The 2006 fee reflects a 1.9% increase over the 2005 fee adjusted for the additional fees due to the change in audit scope. The percentage change is based on the change in the Vancouver CPI (all items) for the period

October, 2004 to October, 2005. In accordance with the terms of the contract awarded to KPMG for audit services the annual increases in fees after the audit of the 2003 financial statements is limited to the annual change in the CPI (all items) for the City of Vancouver.

The table below shows the Year 2006 proposed fee by audit entity compared with 2005 fees (excluding GST).

Audit Program	Council Approved 2005 Fees	Adjust For Scope Change	Restated 2005	Proposed 2006 Fees	Increase	%
City general and related funds	\$ 133,878	\$ 7,615	\$ 141,493	\$ 144,181	\$ 2,688	1.9
City Public Housing Corporation	\$ 10,425	\$ 561	\$ 10,986	\$ 11,194	\$ 208	1.9
Total Basic Fee	\$ 144,303	\$ 8,176	\$ 152,479	\$ 155,375	\$ 2,896	1.9

Funding is provided in the 2006 annual operating budget.

## CONCLUSION

Appointment of KPMG as the City's external auditor will satisfy the requirements of Section 230 of the Vancouver Charter that Council appoint an auditor to audit the accounts and transactions of the City and every other administrative body for the year. The audit fee will be \$155,375 (exclusive of GST); funding to come from the 2006 Operating Budget.

\* \* \* \* \*