



ADMINISTRATIVE REPORT

Report Date: December 19, 2008
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Meeting Date: January 20, 2009

TO: Vancouver City Council
FROM: General Manager of Financial Services
SUBJECT: Appointment of External Auditor for 2009

RECOMMENDATION

- A. THAT the accounting firm of KPMG LLP (KPMG) be confirmed as the City's External Auditor for the fiscal year 2009 in accordance with the terms of the Form of Agreement between the City and KPMG to supply audit services to the City.
- B. THAT the audit fee be set at \$165,201 (exclusive of GST). Funding is included in the 2009 operating budget.

CITY MANAGER'S COMMENTS

The City Manager concurs with the recommendations in this report.

COUNCIL POLICY

Section 230 of the Vancouver Charter requires Council, not later than the first Council meeting in each year, to appoint an accounting firm to audit the accounts and transactions of the City and every other administrative body.

It is Council policy to consider re-tendering the audit services engagement every five years.

PURPOSE

The purpose of this report is to recommend confirmation of KPMG as the City's External Auditor for 2009.

BACKGROUND

On December 10, 2002, Council approved the appointment of KPMG LLP as the City's External Auditor for a five year term covering 2003 to 2008. On July 24, 2007, Council extended the appointment of KPMG LLP for an additional three years to cover fiscal years 2009 to 2010. This extension was to provide continuity of audit services over a period where significant system and reporting changes are being implemented as part of the:

- City's Infrastructure Management System (IMS) - implementation of Autodesk/Hansen system to support comprehensive asset and work management functionality for Engineering and SAP Project Systems to support capital and project budgeting and reporting functionality for all business units.
- adoption of new accounting and reporting standards for Tangible Capital Assets which are issued by the Public Sector Accounting Board (PSAB).

The audit services contract will be re-tendered in 2010.

DISCUSSION

The City's audit service requirements include:

- Auditing of the City's annual financial statements for the year ended December 31, 2009 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, 2009 in accordance with generally accepted auditing standards.

FINANCIAL IMPLICATIONS

In accordance with the terms of the contract awarded to KPMG for audit services, the annual increases in fees is limited to the annual change in the CPI (all items) for the City of Vancouver. The fee proposal for 2009 is \$165,201 (exclusive of GST) and reflects a 2.7% increase over the 2008 fee. The percentage change is based on the change in the Vancouver CPI (all items) for the period October 2007 to October 2008. Funding is provided in the 2009 annual operating budget.

The table below shows the 2009 proposed fee by audit entity compared with 2008 fees (excluding GST). The fees may be adjusted if material scope changes are identified during the performance of the audit.

Audit Program	2008 Fees	Proposed 2009 Fees	Increase	%
City general and related funds	\$149,271	\$153,300	\$4,029	2.7%
Vancouver Public Housing Corporation	\$11,589	\$11,901	\$312	2.7%
Total Fee	\$160,860	\$165,201	\$4,341	2.7%

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.

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