



## ADMINISTRATIVE REPORT

Report Date: November 16, 2010  
Contact: Esther Lee  
Contact No.: 604.873.7080  
RTS No.: 08924  
VanRIMS No.: 08-2000-20  
Meeting Date: November 30, 2010

TO: Vancouver City Council  
FROM: General Manager of Financial Services/Director of Finance  
SUBJECT: Appointment of External Auditor for 2011

### *RECOMMENDATION*

- A. THAT the accounting firm of KPMG LLP (KPMG) be confirmed as the City's External Auditor for the fiscal year 2011.
- B. THAT the audit fee be set at \$119,500 (exclusive of applicable taxes). Funding is included in the 2011 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.

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 2011.

### ***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 2007. On July 24, 2007, Council extended the appointment of KPMG LLP for an additional three years to cover fiscal years 2008 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 (TCA) which are issued by the Public Sector Accounting Board (PSAB).

As planned, the audit services contract was tendered in September 2010 for a five year period covering 2011 to 2015.

### ***DISCUSSION***

In accordance with the City's Procurement Policy, a Request for Proposal was issued for the City's audit service requirements which include:

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

Five proposals were received and three firms were short-listed for interviews. The proponents were evaluated on the following criteria: company profile, experience and qualification of key audit team members, IT audit approach, workplan and fees. The successful proponent was the incumbent audit firm, KPMG LLP.

### ***FINANCIAL IMPLICATIONS***

The Bid Committee has approved the award of the contract for External Audit Services for fiscal years 2011 to 2015 to KPMG LLP. The contract contains fixed fees over the 5 year term totalling \$614,645 (exclusive of taxes). The fee may be adjusted if material scope changes are identified during the performance of the audit or if generally accepted auditing standards

change. The new contract reflects lower fees due to efficiencies and improvements to the financial and reporting process that have been implemented by the City's Accounting staff over the last several years.

The fee proposal for 2011 is \$119,500 (excluding taxes) and reflects a 27.2% decrease from the 2010 fee as shown in the table below:

Audit Program	2010 Fees	Proposed 2011 Fees	Decrease	%
City general and related funds	\$152,380	\$110,000	(\$42,380)	(27.8)
Vancouver Public Housing Corporation	\$11,830	\$9,500	(\$2,330)	(19.7)
Total Fee	\$164,210	\$119,500	(\$44,710)	(27.2)

Funding is provided in the 2011 annual operating budget.

#### *CONCLUSION*

Following the City's Procurement Policy and Procedures, a successful tender process was completed resulting in a significant VSR procurement savings for the City's annual audit engagement. The process also highlighted the efficiencies and improvements that have been implemented by the City's financial staff resulting in a more cost effective audit.

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, including boards and all owned and controlled corporations.

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