



ADMINISTRATIVE REPORT

Report Date: October 2, 2015
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Meeting Date: October 20, 2015

TO: Vancouver City Council
FROM: General Manager of Finance, Risk and Business Planning
SUBJECT: Appointment of External Auditor for 2016

RECOMMENDATION

- A. THAT the accounting firm of KPMG LLP (KPMG) be appointed as the City's External Auditor for the fiscal year 2016.
- B. THAT the audit fee be set at \$101,200 (exclusive of applicable taxes). Funding is included in the 2016 operating budget.

REPORT SUMMARY

The purpose of this report is to recommend appointment of KPMG as the City's External Auditor for 2016.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager concurs with the recommendations in this report.

REPORT

Background/Context

On November 30, 2010, Council approved the appointment of KPMG LLP as the City's External Auditor for a five year term covering audits of fiscal years 2011 to 2015. Pursuant to Council policy to tender the audit services contract every five years, a Request for Proposal (RFP) was issued in June 2015 in accordance to the City's Procurement Policy, to cover the audits of fiscal years 2016 to 2020. Historically the audit services scope included the City's Consolidated financial statements and Vancouver Public Housing Corporation (VPHC). For the first time the RFP scope was expanded to include the audit services for the Pacific National Exhibition (PNE) and the Vancouver Economic Commission (VEC) which in the past had been contracted separately. Both entities are part of the City's Consolidated financial statements.

The City's audit service requirements include:

- Auditing of the consolidated annual financial statements for the each 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 City's Consolidated 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.

Three proposals were received and were evaluated on the following criteria:

- proposed pricing;
- organization profile and references;
- key personnel and experience;
- proposed work plan;
- audit staff education and succession;
- methodology and application of GAAP principles for local government;
- anticipation of audit issues and approach to risk assessment;
- approach to information technology auditing;
- management letter process;
- value added services;
- sustainability.

The successful proponent was the incumbent audit firm, KMPG LLP.

Financial

As per the City's Procurement Policy AF-015-01, the Bid Committee has approved the award of the contract for External Audit Services for fiscal years 2016 to 2020 to KPMG LLP. The contract contains fixed fees for the City's audit over the 5 year term totalling \$515,200 (exclusive of taxes). The fee may only 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 2016 is \$101,200 (excluding taxes) and reflects a 12% decrease from the 2015 fee.

Funding is provided in the 2016 annual operating budget.

CONCLUSION

Following the City's Procurement Policy and Procedures, a successful tender process was completed resulting in a procurement savings for the City's annual audit engagement. The process also highlighted the continuous 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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