



REPORT

Report Date: November 10, 2020
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Meeting Date: December 9, 2020
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TO: Standing Committee on Policy and Strategic Priorities
FROM: Director of Finance
SUBJECT: Appointment of External Auditor for 2021

RECOMMENDATION

- A. THAT the accounting firm of KPMG LLP (KPMG) be appointed as the City's External Auditor for the fiscal year 2021.
- B. THAT the audit fee be set at \$107,900 (exclusive of applicable taxes). Funding is included in the 2021 Operating Budget.

REPORT SUMMARY

The purpose of this report is to recommend appointment of KPMG as the City's External Auditor for 2021.

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.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

On October 20, 2015, Council approved the appointment of KPMG LLP as the City's External Auditor for a five-year term covering audits of fiscal years 2016 to 2020. As the contract has expired, a Request for Proposal (RFP) was issued in June 2020 in accordance to the City's Procurement Policy, to cover the audits of fiscal years 2021 to 2025 with the option to extend four (4) additional one-year terms. Consistent with the prior RFP, for cost and administrative efficiency, this year's RFP included the audit services for the Vancouver Public Housing Corporation (VPHC), the Pacific National Exhibition (PNE) and the Vancouver Economic Commission (VEC). These 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 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.

Two 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 2021 to 2025 to KPMG LLP. The contract contains fixed fees for the City's audit over the 5-year term totalling \$573,100 (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 incorporates a 2% increase over prior year fees for 2021 and a 3% annual increase for the following years.

Funding is provided in the 2021 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, including boards and all owned and controlled corporations.

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