

Clause 24 in Report No. 12 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on September 20, 2018.

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Appointment of External Auditor and Award of External Audit Services Contract

Committee of the Whole recommends adoption of the following recommendations contained in the report dated August 15, 2018 from the Commissioner of Finance:

1. Council appoint KPMG LLP (KPMG) as the municipal auditor for the 2018 fiscal year and that KPMG be retained to provide audit services, for a one-year term commencing on October 1, 2018 and expiring on September 30, 2019, at a cost not to exceed \$200,000, excluding HST.
2. The Regional Solicitor be authorized to prepare the necessary bylaw to give effect to this recommendation.
3. The Commissioner of Finance be authorized to execute the agreement for audit services on behalf of the Region.

Report dated August 28, 2018 from the Commissioner of Finance now follows:

1. Recommendation

It is recommended that:

1. Council appoint KPMG LLP (KPMG) as the municipal auditor for the 2018 fiscal year and that KPMG be retained to provide audit services, for a one-year term commencing on October 1, 2018 and expiring on September 30, 2019, at a cost not to exceed \$200,000, excluding HST.
2. The Regional Solicitor be authorized to prepare the necessary bylaw to give effect to this recommendation.
3. The Commissioner of Finance be authorized to execute the agreement for audit services on behalf of the Region.

Appointment of External Auditor and Award of Extension of External Audit Services Contract

2. Purpose

This report seeks approval to appoint KPMG as the municipal auditor for the 2018 fiscal year and to enter into a contract with KPMG for audit services for a one year period..

Council approval is required, pursuant to Section 10.1 of the Purchasing Bylaw, because this extension is a direct purchase with a total cost in excess of \$150,000 and pursuant to Section 18.1(a) of the Purchasing Bylaw, because the aggregate term of the contract is greater than five years.

3. Background

The Region must appoint an auditor in compliance with the Municipal Act

Sections 296 (1) and (3) of the *Municipal Act* require that every municipality retain a municipal auditor for a term not exceeding five years. As the current five-year term with KPMG ended after the 2017 fiscal year, the Region is required to appoint an auditor for the 2018 fiscal year.

4. Analysis and Implications

KPMG has significant municipal experience and has provided excellent service to date

Council has appointed KPMG as its municipal auditor since 2000. The most recent five-year term appointment occurred in 2013 and expired with the completion of the 2017 fiscal year audits.

Over the past 18 years, KPMG has provided excellent service to the Region and guided the Region through various accounting changes. For example, during the implementation of a new Public Sector Accounting Board (PSAB) standard on liability for contaminated sites reporting in 2016, KPMG provided technical guidance to Finance staff to ensure that the transition went smoothly and that the Region was compliant with the new standard.

The leader of KPMG's Greater Toronto Area practice has been the Partner-in-Charge of the Region's audits for the past 13 years and has provided important continuity in the provision of all external audit services for the Region. It is anticipated that this relationship will not change if KPMG continues as the Region's auditor.

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The proposed audit fee increase is modest and within budget

The proposed 2018 audit services fee represents a two per cent increase from the current rates. This includes annual audits for the Region, Housing York Inc., YTN Telecom Network Inc., York Region Rapid Transit Corporation, and reviews of returns and reconciliations required for federal and provincial reporting purposes. The proposed fee is within the Region's budget allocated for audit services.

A Request for Proposals for audit services will be issued and the successful vendor will be presented to the Audit Committee in 2019

The last competitive procurement for audit services was conducted in 2005. Extending the audit services contract for one year will allow the Region to conduct a Request for Proposals (RFP) to ensure that audit services are procured in a fair and transparent manner, and that the Region continues to receive good value.

The RFP will procure services for a five-year term covering the fiscal years 2019 to 2023, and the RFP process is expected to be completed in 2019. The successful vendor will be recommended to the Audit Committee for appointment in early 2019.

5. Financial Considerations

The proposed audit fee for all audit engagements for the 2018 fiscal year is expected to be \$200,000, excluding HST. The proposed fee is within the Region's budget allocated for audit services.

6. Local Municipal Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The contract term of the current auditor, KPMG, expired in fiscal 2017 and in accordance with Sections 296 (1) and (3) of the *Municipal Act*, an auditor has to be appointed for a term not exceeding five years.

It is recommended that KPMG LLP be appointed as the Region's auditor and be retained for a one-year contract term.

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The proposed approach will ensure that the audit services contract is compliant with the Purchasing Bylaw.

For more information on this report, please contact Jason Li, Acting Director, Controllership Office, at 1-877-464-9675 ext. 71683.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Laura Mirabella
Commissioner of Finance

Bruce Macgregor
Chief Administrative Officer

September 25, 2018

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Accessible formats or communication supports are available upon request