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APPOINTMENT OF EXTERNAL AUDITOR – 2013 TO 2017

Audit Committee recommends adoption of the recommendations contained in the following report dated September 19, 2013 from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The firm of KPMG LLP be appointed as the municipal auditor of the Regional Municipality of York for the years 2013 to 2017 inclusive and its existing contract be extended, at a flat fee of \$182,600 per year for a total five year cost of \$913,000.
2. The Regional Solicitor be authorized to prepare the necessary by-law to give effect to this recommendation.

2. PURPOSE

The purpose of this report is to request that the Audit Committee and Council appoint KPMG LLP as the Municipal Auditor of the Regional Municipality of York for the years 2013 to 2017.

Staff are proposing that the Request for Proposals process for acquiring audit services be waived and that KPMG be appointed as the auditor of the Regional Municipality of York for a period of five years commencing in the fiscal year 2013.

3. BACKGROUND

The Region must appoint an Auditor since the current term has expired

Sections 296 (1) and (3) of the *Municipal Act* require that every municipality retain a municipal auditor for a term not exceeding 5 years.

In 2010, the Region appointed KPMG as its auditor for a three year term. KPMG's term ended in 2012 and it is necessary that an auditor be appointed for an additional five year term.

4. ANALYSIS AND OPTIONS

It is important that audit continuity be maintained

KPMG has been Region's external auditor since fiscal year end 2000. Over the past 13 years, KPMG has provided excellent services to the Region. They have guided the Region through various accounting changes and ensured the Region has been in compliance with best practice accounting. For example, during the implementation of a significant Public Sector Accounting Board (PSAB) change in tangible capital asset reporting in 2009, KPMG provided technical guidance to Finance staff to ensure that the transition went smoothly and that the Region was compliant with the new standard.

Furthermore, if the Region changes its audit firm, it will incur additional transitional costs since staff will need to invest time to educate the new firm on the Region's policies and procedures.

A change in auditors can be viewed negatively by credit markets and rating agencies.

KPMG proposes to freeze their fees for the next five years and assist the Region in adopting new accounting guidelines for Contaminated Sites at no additional cost

The fees for audit services in 2012 totalled \$182,600. This included annual audits for the Region, Housing York Inc. and York Region Rapid Transit Corporation, and reviews of statements and reconciliations such as public health programs, required for Provincial reporting purposes. KPMG has indicated that these fees would remain fixed for the next five years.

In the next few years, the Region will be required to adopt new accounting standards such as the Liabilities for Contaminated Sites. KPMG has committed to lead the Region through the transition to this standard at no extra charge. As an example, the cost associated with the review of inventory valuation and procedures in the transition to tangible asset accounting exceeded \$30,000.

KPMG has significant municipal experience

KPMG has extensive experience in rendering audit services to Ontario municipalities. Its municipal client list includes:

- City of Markham
- City of Vaughan
- Halton Region
- Niagara Region
- City of Mississauga
- City of Brampton
- City of Waterloo
- City of London
- City of Kingston

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

5. FINANCIAL IMPLICATIONS

The proposed audit fee for all audit engagements for the 2013 year end would be \$182,600. These audit fees will remain the same over the following four years, including the 2017 year end audit, for a total of \$913,000.

6. LOCAL MUNICIPAL IMPACT

There is no impact on local municipalities associated with this report.

7. CONCLUSION

The term of our current auditor, KPMG LLP, expired in fiscal 2012 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, based on the rationale presented in this report, KPMG LLP be appointed as the Region's auditor for a period of five years.

For more information on this report, please contact Warren Marshall, Director, Controllershship Office, at Ext. 1601.

The Senior Management Group has reviewed this report.