



## REPORT

### Council

**Meeting Date: December 19, 2022**

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**FROM:** Finance Department

**DATE:** December 6, 2022

**SUBJECT:** Renewal of External Audit Services

**LOCATION:** Town-wide

**WARD:** Town-wide

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#### **RECOMMENDATION:**

1. That KPMG LLP be appointed as the town's external auditors for the fiscal years ending 2022 through 2026.
2. That the Treasurer be authorized to execute the engagement letter with KPMG LLP subject to the terms approved.
3. That a Request for Proposal (RFP) for audit services be issued mid 2027 for the fiscal years ending 2027 through 2031.

#### **KEY FACTS:**

The following are key points for consideration with respect to this report:

- The town is required to appoint an external auditor for a term no longer than five years
- A formal RFP process was followed in 2017 and KPMG was the successful proponent
- Under the current policy, an extension can be granted with Council approval
- Based on the quality of service provided, expertise, and a new five-year pricing proposal, staff are recommending a renewal of five years.

#### **BACKGROUND:**

The Municipal Act requires a municipality to appoint an auditor licensed under the Public Accounting Act. The auditor is responsible for;

- (1) Annually auditing the accounts and transactions of the municipality and its local boards, and expressing an opinion on the financial statements of these bodies based on the audit; and

(2) Performing duties required by the municipality or local board.

Under the Financial Operations Policy – F-FOC-001, External Auditors - Year End Procedure F-FOC-001-002, it is stated:

“Changes to auditors are governed by the Request for Proposal (RFP) in accordance with the Purchasing By-Law. Where an extension to an existing contract is warranted Council approval shall be obtained”

The auditor cannot be appointed for a term of more than five years. The town’s Council serves as the town’s audit committee and must approve the appointment of the auditors.

**COMMENT/OPTIONS:**

Staff have been very satisfied with KPMG’s service and are seeking approval for a five-year extension renewal. The transition to new external auditors is a staff intensive process as both the town staff and auditors must learn new processes and develop new working relationships.

Staff requested that KPMG provide a new five-year audit fee schedule for the town and its local boards. The total five-year proposed audit fees based on KPMG’s quote are \$537,750. These fees are for 2022 through 2026 and cover the audit fees for the town, the Trust Funds, Oakville Public Library Board, Oakville Galleries, and the three local Business Improvement Areas. The total annual fees for the 2022 fiscal year for all entities are \$102,000. Of this \$102,000, \$75,000 is for the audit of the town itself (2021 - \$70,360) and includes the increase related to a new auditing standard that requires additional documentation to be completed by audit firms. The remainder is for the audits of the various entities.

As the town must consolidate the local boards financials into the annual financial statements, there is a requirement under the Municipal Act that the local boards utilize the same audit firm as the town. These are significantly smaller audits which encompass the following:

- Oakville Public Library
- Downtown BIA
- Bronte BIA
- Kerr Village BIA

Although not a requirement under the Municipal Act, KPMG has also been appointed auditors for Oakville Enterprises Corporation and Oakville Municipal Development Corporation. Utilizing the same audit firm for all related entities provides synergies for the audit process.

Based on the fee structure, KPMG's expertise, their commitment to the public sector, and the service level over the past five years, staff are requesting an extension of the external audit contract with KPMG for an addition five years.

Staff will issue an RFP in 2027 for the fiscal audit years of 2027 through 2031.

**CONSIDERATIONS:**

**(A) PUBLIC**

N/A

**(B) FINANCIAL**

The proposed fees have been included within the 2022 operating budget and will be included in 2023 through 2026 operating budgets.

**(C) IMPACT ON OTHER DEPARTMENTS & USERS**

None

**(D) CORPORATE STRATEGIC GOALS**

This report addresses the corporate strategic goal(s) to:

- be accountable
- be fiscally sustainable

**(E) CLIMATE CHANGE/ACTION**

Ensuring that the audit is an efficient process addresses the economic sustainability of the community.

**APPENDICES:**

N/A

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