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APPOINTMENT OF EXTERNAL AUDITORS - 2010 TO 2012

The Audit Committee recommends the adoption of the recommendations contained in the following report dated May 20, 2010, 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 2010 to 2012 inclusive and their existing contract be extended, at a flat fee of $182,600 per year for a total three year cost of $547,800.

2. The Regional Solicitor be authorized to prepare the necessary by-law to give effect to the foregoing.

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 2010 to 2012 inclusive.

3. BACKGROUND

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

Section 296 (1) and (3) of the Municipal Act require that every municipality appoint municipal auditors for a term not exceeding 5 years.

In 2005, the Region went through the Request for Proposal (RFP) process to select an auditor for the years 2005 to 2009 and KPMG was awarded the contract. Now that the contract expires after the 2009 Year End review, in accordance with the Municipal Act, a review of external audit services is required

4. ANALYSIS AND OPTIONS

It is recommended that KPMG be appointed as Auditors for the Region

The current appointment of KPMG as auditors for the Regional Municipality of York ends in 2009 and it is necessary that auditors be appointed for a new term. Staff is 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 three years commencing in the fiscal year 2010.

It is important that audit continuity be maintained during the initial stages of tangible capital asset accounting

In June 2006, the Public Sector Accounting Board (PSAB) approved Accounting Guidelines requiring Canadian municipalities to account for their tangible capital assets (TCA's) – land, buildings, roads, water and sewer lines, equipment, information technology hardware and software, vehicles – on an accrual (ie. amortization) basis. Since that time, KPMG has been providing technical guidance to Finance staff to ensure that York Region was ready to implement tangible capital asset reporting by January 1, 2009.

Since September 2007, the Corporate Accounting Services staff in the Finance Department have been reviewing the PSAB reporting guidelines, studying the requirements of tangible capital asset accounting and working with the operating departments to ensure York Region's assets were clearly identified and accurately valued in preparation for the 2009 PSAB reporting deadline. When complex issues arose, like the valuation of land under roads, KPMG was contacted to verify that the valuation approach we were employing was acceptable. KPMG's regular involvement in the Region's valuation methodologies streamlined the process and helped our staff avoid costly corrections. During this time, KPMG were also learning and understanding our TCA policies and procedures.

As TCA accounting is in its initial stages of implementation, it is critical that audit continuity be maintained. Otherwise, several months of extra time and effort would be required to introduce the new audit firm to our policies and procedures and in many instances the work that has already been done would be repeated.

Appointing KPMG as the Region's External Auditors for the next three year term will ensure that continuity of audit services is maintained during the initial years of Tangible Capital Asset Accounting and will save time and effort during this period. Three years would provide sufficient time for the Region to get through the transition to TCA accounting.

KPMG has significant municipal experience

KPMG has significant experience providing audit services to Ontario Municipalities and Municipal organizations. Their Municipal client list includes:

- City of Brampton
- City of Kitchener
- City of London
- City of Mississauga
- City of Vaughan
- Region of Peel
- Region of Halton
- Niagara Region
- Town of Markham
- The Association of Municipalities of Ontario (AMO)
- The Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO)
- The Municipal Finance Officers Association (MFOA)

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

5. FINANCIAL IMPLICATIONS

The audit fee for 2009 was $80,000. The proposed audit fee for 2010 is $85,000 and this audit fee will remain the same for 2011 and 2012 for a total three year cost of $255,000.

KPMG also provides a number of other audit services for the Region. There was a total of 19 other audit engagements in 2009 including Housing York Inc., York Region Rapid Transit Corporation, Maple Health Centre, Newmarket Health Centre and 15 other programs. The total audit fee for these audits in 2009 was $94,600. The proposed total audit fee for these audit services for 2010 is $97,600.

In total, the audit fee for 2009 was $174,600. The total proposed audit fee for 2010 is $182,600 and this audit fee will remain the same for 2011 and 2012 for a total three year cost of $547,800.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

The term of our current auditors, KPMG LLP, expired in fiscal 2009 and in accordance with Sections 296(1) and (3) of the Municipal Act, a review of external audit services to the Region is required.

It is recommended that, based on the rationale presented in this report, KPMG LLP be appointed as the Region's auditors for a period of three years. At the end of the three year period a full RFP for audit services will be undertaken.

For more information on this report, please contact Jim Kelly, Manager, Corporate Services at Ext. 1683.

The Senior Management Group has reviewed this report.