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ADMINISTRATIVE REPORT

Report Date: January 4, 2010
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Meeting Date: January 19, 2010

TO: Vancouver City Council
FROM: General Manager of Financial Services/Director of Finance
SUBJECT: Appointment of External Auditor for 2010

RECOMMENDATION

- A. THAT the accounting firm of KPMG LLP (KPMG) be confirmed as the City's External Auditor for the fiscal year 2010 in accordance with the terms of the Form of Agreement between the City and KPMG to supply audit services to the City.
- B. THAT the audit fee be set at \$164,210 (exclusive of applicable taxes). Funding is included in the 2010 operating budget.

CITY MANAGER'S COMMENTS

The City Manager concurs with the recommendations in this report.

COUNCIL POLICY

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 and every other administrative body.

It is Council policy to consider re-tendering the audit services engagement every five years.

PURPOSE

The purpose of this report is to recommend confirmation of KPMG as the City's External Auditor for 2010.

BACKGROUND

On December 10, 2002, Council approved the appointment of KPMG LLP as the City's External Auditor for a five year term covering 2003 to 2007. On July 24, 2007, Council extended the appointment of KPMG LLP for an additional three years to cover fiscal years 2008 to 2010. This extension was to provide continuity of audit services over a period where significant system and reporting changes are being implemented as part of the:

- City's Infrastructure Management System (IMS) - implementation of Autodesk/Hansen system to support comprehensive asset and work management functionality for Engineering and SAP Project Systems to support capital and project budgeting and reporting functionality for all business units.
- adoption of new accounting and reporting standards for Tangible Capital Assets (TCA) which are issued by the Public Sector Accounting Board (PSAB).

The audit services contract will be re-tendered in 2010 for a five year period covering 2011 to 2015.

DISCUSSION

The City's audit service requirements include:

- Auditing of the City's annual financial statements for the 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 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.
- Auditing the Vancouver Public Housing Corporation's annual financial statements for the year ending December 31 in accordance with generally accepted auditing standards.

FINANCIAL IMPLICATIONS

On January 20, 2009, Council appointed KPMG for the 2009 audit for a proposed fee of \$165,201. The fee may be adjusted for material scope change. During 2009, the City has been implementing the new PSAB accounting and reporting requirements for Tangible Capital Assets (TCA). This change in accounting and reporting requires additional one-time audit review by KPMG and the estimated fee for this work is \$50,000 to \$65,000. The additional fee is covered by the 2009 annual operating budget.

The fee proposed for the 2010 audit is in accordance with the terms of the audit contract and is based on the annual change in the CPI (all items) for the City of Vancouver. The fee proposal for 2010 is \$164,210 (exclusive of taxes) and reflects a 0.6% decrease from the 2009 "base" fee (excluding the one-time incremental fee for auditing the TCA). The percentage

change is based on the change in the Vancouver CPI (all items) for the period November 1, 2008 to October 31, 2009. Funding is provided in the 2010 annual operating budget.

The table below shows the 2010 proposed fee by audit entity compared with 2009 fees (excluding taxes). The fees may be adjusted if material scope changes are identified during the performance of the audit.

Audit Program	2009 Fees	Proposed 2010 Fees	Decrease	%
City general and related funds	\$153,300	\$152,380	(\$920)	(0.6)
Vancouver Public Housing Corporation	\$11,901	\$11,830	(\$71)	(0.6)
Total Fee	\$165,201	\$164,210	(\$991)	(0.6)

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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