



SUBJECT: Evaluation of the external auditors

TO: Audit Committee

FROM: Finance Department

Report Number: F-36-19

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: September 11, 2019

Date to Council: September 23, 2019

Recommendation:

Receive and file finance department report F-36-19 providing an evaluation of the external auditors.

Purpose:

An Engaging City

- Good Governance

Background and Discussion:

The Audit Committee is responsible for the annual evaluation of the external auditor's performance. Finance report F-36-19 provides information on the performance evaluation for the 2018 external audit.

To assist Audit Committee to fulfill their mandate regarding external audits, an evaluation matrix was developed for Audit Committee members and management.

Evaluation Categories

The evaluation categories were defined as follows:

- Independence, Objectivity and Professional skepticism
- Quality of the engagement team
- Communication and interaction with the external auditor
- Quality of service

The matrix for the Audit Committee places more focus on independence and objectivity as well as communication while that for management is more focused on quality of the engagement team and quality of service.

Audit Committee members and management rated the performance as meeting expectations. Management appreciated the technical guidance received throughout the course of the audit, and the timely and open communication of any issues.

Management also appreciated clear technical guidance given on matters outside the scope of the audit. Audit Committee members also appreciated clear and open communication. No concerns were expressed in the evaluation.

The annual external audit for the 2018-year end was completed efficiently. Staff and the External Auditors continue to work together to act on improvement opportunities for the external audit process.

Financial Matters:

Another aspect of the relationship that is of interest to the Audit Committee is the review of audit fees as well as management consulting or other engagements undertaken by the Audit firm on behalf of the City.

Fees, inclusive of HST, paid to the audit firm from August 2018 to December 2018 were \$52,708.24 which encompasses the interim external audit billing, quality assurance reviews for the internal auditor and a mobility hub report prepared on behalf of BEDC. Fees paid from January 2019 to July 2019 total \$180,350.16 and are also related to the external audit, consulting services related to the City's ERP project and assistance provided for HST recoveries. Amounts related to the external audit are in accordance with the pricing schedule in the response to RFP-222-15. The Audit Committee received notification of the additional internal audit engagements. The ERP consulting is as a result of implementation of an ERP Strategy that was originally developed by Deloitte in 2013 following a formal procurement process.

Conclusion:

Report F-36-19 provides information on the evaluation of the external auditor's performance for the 2018-year end audit. Finance staff continues to work closely with the external auditors to improve effectiveness and efficiency of the annual audit process.

Respectfully submitted,

Sandy O'Reilly

Controller and Manager of Financial Services

Ext 7648

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.