



SUBJECT: External audit contract

TO: Audit Committee

FROM: Finance Department

Report Number: F-17-20

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: June 10, 2020

Date to Council: June 22, 2020

Recommendation:

Authorize the Manager of Procurement or designate to initiate an RFP process for the external audit contract; OR

Appoint the firm of Deloitte LLP to provide external audit services to the City of Burlington for a period of up to five years.

PURPOSE:

The purpose of report F-17-20 is to present options for Committee's recommendation to Council with respect to the contract for external audit services.

Background and Discussion:

The terms of reference for the Audit Committee includes responsibility to recommend selection of the external auditor to Council as required including participation in the selection committee with staff, approval of the selection process and annual evaluation of the external auditor's performance.

The *Municipal Act 2001* in section 296 (3) Auditor – term states that an auditor of a municipality shall not be appointed for a term exceeding five years. The current term of the City's external audit provider, Deloitte LLP expires at December 31, 2020.

Although the Municipal Act states that the auditor cannot be appointed for a term exceeding five years it does not mandate that an RFP process be undertaken. Finance report F-17-20 is seeking direction from the Audit Committee on options with respect to

the external audit services contract. Also, to be considered, is the extent to which the Audit Committee would like to be involved if an RFP process is to be recommended.

The external audit provider Deloitte LLP was selected to provide external audit services to the City and its local boards in August 2015 under RFP-222-15 for a period of five years commencing January 1, 2016 to December 31, 2020. Deloitte LLP was the incumbent proponent in the process. Two citizen members of the Audit Committee participated in the evaluation and selection of the proponent to whom the contract was awarded.

Strategy/process

Audit Committee has the authority to recommend to Council selection of the external auditor.

Options Considered

The audit committee could choose to recommend that a procurement process be undertaken with participation from Audit Committee members. The committee may wish to delegate the evaluation and selection of any proponents entirely to staff and simply recommend approval of the contract to the winning proponent. If an RFP process is the recommended option, it must begin by the second quarter of 2020 to allow enough time for transition if a new proponent is selected. The new proponent would be required to perform the external audit for the 2020 consolidated financial statements. While an RFP process does provide the opportunity to scan the market for potential new service providers who may bring new perspectives to the audit, it is also highly likely the incumbents will be among the proponents considered.

However, the audit committee also can recommend the appointment of the incumbents for a period of up to five years.

The option of appointing the incumbent is presented to the Audit Committee as a consideration as City staff have a mutually respectful and professional relationship with the incumbents. They are familiar with the City's business processes and those of the local boards. Also, to be considered is the current major project the City has underway to replace the ERP software system. The ERP encompasses the core financial system for the City. The financial system provides information to the Auditors for the external audit. The advantage of retaining the current auditors through this process is that they are familiar with the City's financial processes and the information contained within the system. This will be less challenging for staff than implementing the new system while familiarizing a new audit team with the City's business processes as they relate to the financial statements. It is also possible that the current external auditors could provide

recommendations for improvement in processes that could be implemented with the new system.

Financial Matters:

The fee for the City's external audit services is consistent with the quotation received in response to RFP-222-15.

Conclusion:

Options are presented in Finance report F-17-20 for Committee's consideration with respect to external audit services.

Respectfully submitted,

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Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.