



SUBJECT: Evaluation of the external auditors

TO: Audit Committee

FROM: Finance Department

Report Number: F-31-21

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: September 8, 2021

Date to Council: September 21, 2021

Recommendation:

Receive and file finance department report F-31-21 providing an evaluation of the external auditors.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation
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Background and Discussion:

The Audit Committee is responsible for the annual evaluation of the external auditor's performance. Finance report F-31-21 provides information on the performance evaluation for the 2020 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.

Overall, 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. Comments from Audit Committee included a desire for increased communication on the assessment of potential risks of fraud as well as sharing views on potential business issues and improving internal controls. No concerns were expressed in the evaluation.

The annual external audit for the 2020 yearend was completed sufficiently. 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 2020 to December 2020 were \$22,600 which encompasses the 2020 interim external audit billing. Fees paid from January 2021 to July 2021 total \$158,738 and are related to the external audit final billings (including various local boards), 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 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.

Total Financial Impact

External audit fees are included as part of the City’s annual operating budget.

Source of Funding

Not applicable

Other Resource Impacts

Not applicable

Climate Implications

Not applicable

Conclusion:

Report F-31-21 provides information on the evaluation of the external auditor's performance for the 2020 yearend audit. Finance staff continues to work closely with the external auditors to improve effectiveness and efficiency of the annual audit process.

Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

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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 Counsel.