



SUBJECT: Evaluation of external auditors

TO: Audit Committee

FROM: Finance Department

Report Number: F-29-24

Wards Affected: Not applicable

Date to Committee: September 11, 2024

Date to Council: September 17, 2024

Recommendation:

Receive finance department report F-29-24 providing the results of the evaluation of the external auditors and fees.

PURPOSE:

Vision to Focus Alignment:

(Select all areas that apply)

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

Executive Summary:

This report presents an overview of the evaluation results from management and the Audit Committee regarding the external auditors. It also details the fees paid to the external auditors for the annual audit as well as for separate engagements within the City and its local boards.

Background and Discussion:

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.

Generally, Audit Committee members and management were satisfied with the performance of the external auditors. Management appreciated the auditor's open communication and support throughout the various audits for the City and its local boards. Staff and the external auditors work together to debrief the audit process upon its conclusion and look for opportunities for improvement. Staff will address the any areas of significant importance noted by committee members as part of the planning process for the 2024 external audit.

Financial Matters:

In addition to an evaluation of the external audit, another area of oversight for the Audit Committee is a review of the annual audit fees as well as any additional management consulting or other engagements undertaken by the audit firm on behalf of the City.

Audit fees, inclusive of HST, paid to the audit firm from August 2023 to December 2023 amounted to \$16,950. This figure represents the first interim billing for the 2023 external audit of the City. For the period from January 2024 to July 2024, audit fees totaled \$99,384, covering the audit work for both the City and various local boards. These fees are consistent with the pricing schedule extension outlined in RFP-222-15.

In addition, the City incurred extra costs in 2024 related to the implementation of new accounting standards. These additional fees were factored into the 2023 approved budget.

Furthermore, non-audit related fees paid to the firm during this period totaled \$63,653 (inclusive of HST). These expenses were attributed to consulting engagements for the 2023 Community Survey, governance reviews for Burlington Economic Development and Tourism Burlington, and minor quality assurance services.

Looking ahead, audit fees for 2024 are expected to increase due to the additional work required for auditing the conversion of financial data to the City's new ERP system. These anticipated increases were incorporated into the 2024 budget.

Total Financial Impact

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

Source of Funding

The City's annual operating budget.

Other Resource Impacts

Not applicable.

Climate Implications:

Not applicable

Conclusion:

Report F-29-24 provides information on the results of the evaluation of the external auditor's performance for the 2023 year-end audit. Finance staff continuously work closely with the external auditors to improve effectiveness and efficiency of the annual audit process.

Respectfully submitted,

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Controller & Manager, 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.