



## The Corporation of the Town of Tecumseh

Financial Services

**To:** Mayor and Members of Council  
**From:** Luc Gagnon, Director Financial Services & Treasurer  
**Date to Council:** November 27, 2018  
**Report Number:** FS-2018-18  
**Subject:** Contract Renewal – Auditing Services KPMG LLP

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### Recommendations

It is recommended:

**THAT** the Town **approve** the contract renewal for KPMG LLP as the external auditors for the Town and BIA for the 2018 to 2022 fiscal years;

**AND THAT** a by-law **be prepared** appointing KPMG LLP as auditors in accordance with the original Request for Proposal – External Audit Services dated October 4, 2013 and their request for renewal letter dated August 2, 2018.

### Background

Section 296 of the *Municipal Act, 2001, S.O. 2001, c. 25* states in part:

- (1) A municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for;
  - (a) annually auditing the accounts and transactions of the municipality and its local boards expressing an opinion on the financial statements of these bodies based on the audit; and
  - (b) performing other duties required by the municipality or local board,
- (3) An auditor of a municipality shall not be appointed for a term exceeding five years.
- (4) Despite any Act, the auditor of a municipality shall not be an employee of the municipality or a local board of the municipality.

In 2013, as per Financial Services Report No. 14/13, Council approved the appointment of KPMG as the auditor for the Town of Tecumseh. The appointment was the result of a Request For Proposals (RFP) the Town issued in 2013 for auditing services. The terms of the 2013 RFP allow for the extension of the contract for another five-year term subject to the agreement of both parties.

In accordance with the above, KPMG provided correspondence dated August 2, 2018 (Attachment 1) outlining proposed adjustments to the terms as submitted pursuant to By-law Number 2013-63 (Attachment 2) which includes KPMG's proposal to serve under Request for Proposal – External Audit Services dated October 4, 2013.

## **Comments**

The Finance Department recommends engaging KPMG LLP for a further five-year term covering 2018 to 2022 fiscal years. Reasons to re-appoint KPMG as the Town's auditors:

- Unparalleled Municipal Experience – KPMG has comprehensive knowledge of financial reporting requirements and relevant legislation affecting Ontario municipalities.
- Continuity of Senior Staff – Engagement partner Cynthia Swift has served the Town for several years which has enabled the Town to build a strong working relationship with its external auditors. This enhances audit efficiencies and minimizes disruptions to the day to day routine of administration.
- Value of Money – KPMG has honoured its original fee commitments. The Town's audit fees will be one expenditure unlikely to vary from budget, with no fee surprises.
- Wide Range of Services – Be it commodity tax services, advisory services, such as strategic planning, program evaluation or alternative service delivery, KPMG has demonstrated it has the ability to bring the right resources to the table in a cost-effective manner.
- Measureable Service Quality – KPMG formally and informally solicits the Town's input on their performance on an ongoing basis, including an annual Client Feedback Review.
- Proven Performance Record – KPMG's track record as auditors of the Town is backed by a history of promises fulfilled and commitments honoured. The Town is assured of KPMG's commitment to deliver the highest quality of service promptly and on a timely basis, in the most cost efficient manner.

## **Consultations**

Corporate Services & Clerk

## **Financial Implications**

The 2017 audit fees before HST were Town \$20,200, BIA \$800, Total \$21,000.

KPMG has proposed 2018 audit fees of Town \$21,000 and BIA \$820 for a total of \$21,820.

KPMG is prepared to commit to limiting any increase in the proposed 2019 base audit fee to the annual increase in the Consumers' Price Index over that reported at the end of the previous year, beginning December 31 2018. KPMG estimated this change to approximate 2% per annum beginning in 2019 however will adjust the fee by the actual percentage change.

	Town	BIA	Total
2018	\$ 21,000	\$ 820	\$ 21,820
2019	\$ 21,400	\$ 830	\$ 22,230
2020	\$ 21,900	\$ 850	\$ 22,750
2021	\$ 22,300	\$ 870	\$ 23,170
2022	\$ 22,700	\$ 900	\$ 23,600
<b>Total</b>	<b>\$ 109,300</b>	<b>\$ 4,270</b>	<b>\$ 113,570</b>

The Town's budget allocation is \$23,800 including non-refundable HST. BIA costs are paid by the BIA. The Town's 2018 costs including 1.76% non-refundable HST would be \$21,370 (\$21,000 \* 1.0176).

Reasons for proposed increase in 2018 and beyond:

- The last five-year period has seen an unprecedented change in generally accepted auditing standards. The fees merely reflect the number of professional hours needed to comply with Canadian generally accepted auditing standards. The fees have not increased proportionately with the increase in time recently spent and to be spent on future audit work.
- Public Sector Accounting Standards Board has introduced changes to municipal reporting requirements with a view to conforming accounting principles currently used by municipalities with those used in the private sector. Tangible capital assets were the latest significant change and future changes include asset retirement obligations and financial instruments.

## Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input type="checkbox"/>	Ensure that the Town of Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of the Town of Tecumseh’s plans and priorities.
<input checked="" type="checkbox"/>	Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town’s leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

## Communications

Not applicable

Website       Social Media       News Release       Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Janey Murphy  
Purchasing Officer

Reviewed by:

Luc Gagnon, CPA, CA, BMath  
Director Financial Services & Treasurer

Recommended by:

Tony Haddad, MSA, CMO, CPFA  
Chief Administrative Officer

<b>Attachment Number</b>	<b>Attachment Name</b>
1	KPMG Request for Renewal Letter August 2 2018
2	By-law Number 2013-63