



The Regional Municipality of York

Audit Committee
Finance and Administration
January 25, 2024
FOR DECISION

Report of the Commissioner of Finance **Appointment of Auditor for 2024 to 2028**

1. Recommendations

1. Council appoint KPMG as the municipal auditor for the fiscal years 2024 to 2028 inclusive.
2. The Regional Solicitor be authorized to prepare the necessary bylaw to give effect to the appointment.

2. Purpose

This report seeks Council authorization to appoint a municipal auditor. The *Municipal Act* requires every municipality retain a municipal auditor for a term not exceeding five years. The proposed term will cover the fiscal years 2024 to 2028 inclusive.

3. Background

Region must appoint an auditor in compliance with the *Municipal Act*

Sections 296 (1) and (3) of the *Municipal Act* require every municipality retain a municipal auditor for a term not exceeding five years. As the five-year term with the Region's current auditor expires after the 2023 fiscal year audit, the Region is required to appoint an auditor for the 2024 to 2028 fiscal years.

Audit Committee recommends the appointment of external auditors to Regional Council

The Audit Committee Charter establishes the responsibility of the Audit Committee to review the performance of the external auditors and recommend to Regional Council the appointment or discharge of the Regional auditors. As Shareholder of the Region's three corporations: Housing

York Inc., YTN Telecom Network Inc., and York Region Rapid Transit Corporation, Regional Council also appoints their auditors.

Appointment covers the financial statement audits of the Region and its corporations

The appointment includes annual financial statement audits for the consolidated Region (including all departments and York Regional Police), and the Region's three corporations. The contract also covers the related T2 tax filings and review of reconciliations in compliance with federal and provincial reporting requirements.

Renewal option in the existing contract provides external audit services through June 2029

The Region's auditor, KPMG, is currently in the last year of a five-year contract to provide external audit services to the Region. The contract was initially awarded through the Audit Committee report on [June 5, 2019](#). The report also authorized the Commissioner of Finance to exercise the option to extend the contract if the auditor has performed services to the satisfaction of the Commissioner, and the total cost is within the budget allocated to audit services.

4. Analysis

KPMG has provided satisfactory audit services to the Region

Throughout the term of the contract, KPMG has provided audit services to the Commissioner's satisfaction. The annual audit fieldwork was completed on time, and findings were shared with staff and audit committee in adequate detail. KPMG also supported the Region's efforts to adopt several new and complex accounting standards and brought in continuous improvement innovations such as using online audit tools to conduct remote audits during the pandemic.

Exercising the option to renew represents good value for money given historical and anticipated benchmark increases

The renewal option for the years 2024-2028 includes an escalation of 2.5% annually from the 2023 fee of \$168,000 (Table 1).

Table 1

Anticipated Audit Service Fees

	Audit Service Fee
2024	\$172,200
2025	\$176,505
2026	\$180,918
2027	\$185,441
2028	\$190,076
Total	\$905,140

The economic landscape and audit fees have changed significantly since 2019. In the Bank of Canada's October 2023 projection, Consumer Price Index (CPI) is expected to average about 3.5% through the middle of 2024. More specific to the cost of audit services, Statistics Canada Accounting Services Price Index indicated an increase of 5.2% for audit, review, related services, and other assurance services in 2022. 2023 results are not yet available.

As a result, the 2.5% cost escalation in the renewal terms represents good value compared to benchmark increases and anticipated inflation.

5. Financial Considerations

The total five-year fee for external audit services is expected to be \$905,140, excluding HST, and is within the Region's budget allocated for audit services.

6. Local Impact


There are no local municipal impacts associated with this report.

7. Conclusion

The contract term of the current auditor, KPMG, expires after the 2023 fiscal year audit is delivered in June 2024. In accordance with Sections 296 (1) and (3) of the *Municipal Act* it is recommended KPMG be appointed municipal auditor for the fiscal years 2024 to 2028 inclusive.

For more information on this report, please contact Jason Li, Director, Controllershship Office at 1-877-464-9675 ext. 71683. Accessible formats or communication support are available upon request.

Recommended by:



Laura Mirabella

Commissioner of Finance and Regional Treasurer



Approved for Submission:  **Erin Mahoney**

Chief Administrative Officer

January 15, 2024
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