

REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: October 7, 2024

SUBMITTED BY: Ryan Scott, Chief Procurement Officer, 519-741-2200 ext. 7214

PREPARED BY: Jenny Ung, Procurement Specialist, 519-741-2200 ext. 7216

WARD(S) INVOLVED: N/A

DATE OF REPORT: September 16, 2024

REPORT NO.: FIN-2024-450

SUBJECT: Q24-122 Audit Services

RECOMMENDATION:

That Quotation Q24-122 Audit Services, be awarded to KPMG LLP, Kitchener, ON, at their estimated fee of \$589,300 plus HST of \$76,609 for a total of \$665,909 for a three (3) year term with an option to renew for two (2) additional one (1) year terms beginning with the fiscal year ending December 31, 2024, for the Corporation of the City of Kitchener, its Boards and Municipal Enterprises including the Waterloo Region Municipalities Insurance Pool with the fiscal year ending May 31, 2025, and further;

That Chapter 103 of the City of Kitchener's Municipal Code be amended to reflect the appointment of KPMG LLP as the City's Auditor for the fiscal years 2024, 2025, and 2026. Upon the recommendation of the Chief Financial Officer, Council may consider a by-law amendment to extend KPMG LLP's appointment for fiscal years 2027 and 2028 at the appropriate time.

BACKGROUND:

In accordance with City Policy GOV-BOA-066 Audit Committee – Terms of Reference; delegated authority to approve and appoint an external auditor falls within the responsibility of the Audit Committee.

The Audit Committee is a sub-committee of the Finance & Corporate Services Standing Committee which deal with detailed matters relating to: corporate financial statements; the audit process, general oversight of financial controls/reporting; compliance with financial regulations/policies; and, risk management. The external auditor appointed reports directly to the Audit Committee.

Under Section 296(3) of the Municipal Act, an auditor shall not be appointed for a term exceeding five years. The Audit Committee appointed KPMG for the period of 2019-2023 and they have now completed their five (5) year term and an auditor needs to be appointed for the next term.

REPORT:

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

Quotations were advertised publicly on the City of Kitchener website. Documents were downloaded by four (4) interested parties and by the closing date of Friday August 23, 2024, two (2) quotations had been received.

The following quotations were received:

Grant Thornton LLP
KPMG LLP

Toronto ON
Kitchener ON *

All submissions were reviewed and rated by the selection committee, comprised of: Mayor B. Vrbanovic, Chair, Audit Committee, Councillor S. Davey, Chair, Finance and Corporate Services Committee, J. Lautenbach, Chief Financial Officer, K. Fischer, Director of Financial Reporting & ERP Solutions, and C. Tasker, Internal Auditor.

The selection committee rated the quotation submissions on the following criteria:

- Company Profile and Qualifications
- Technical Experience and Understanding
- Methodology
- Scheduling
- Value-Added Services
- Cost of Fees

The selection committee recommends awarding the project to KPMG LLP, Kitchener, Ontario.

STRATEGIC PLAN ALIGNMENT:

The recommendation of this report supports the achievement of the City's strategic vision through the delivery of core services.

FINANCIAL IMPLICATIONS:

The total 2024 audit fee is \$31,400 higher than the 2023 audit fee and increases by an inflationary amount each year (3.5%). Staff note that recent changes in auditing and accounting standards have contributed to an increase in the extent and complexity of work required for these services. Funding for the City's audit fees are provided from various operating and enterprise account codes.

The City of Kitchener's portion of the fees is \$355,600 over the three-year contract term. The remainder is funded directly by the individual boards (Belmont Improvement Area Board of Management, Kitchener Downtown Improvement Area Board, Kitchener Public Library Board, the Centre in the Square Inc.) and the Waterloo Region Municipalities Insurance Pool. In addition to the City and its boards, KPMG provided fees for Kitchener Housing Inc., Kitchener Non-Profit Property Management Inc., which will be approved by their Board and the Municipal Accommodation Tax Review which will be approved by and shared with local area municipalities.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer, Financial Services
Department