

City of Mississauga

Corporate Report



<p>Date: April 13, 2020</p> <p>To: Chair and Members of Audit Committee</p> <p>From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Originator's files:</p> <hr/> <p>Meeting date: May 11, 2020</p>
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Subject

Contract Amendment for Statutory Audit Services Procurement FA.49.480-15

Recommendation

1. That the option to extend the existing contract with KPMG LLP for Statutory Audit Services, File Ref: FA.49.480-15, for the audit years 2020-2024 in accordance with the City's Purchasing By-law 374-06, as amended, per the report entitled "Contract Amendment for Statutory Audit Services Procurement FA.49.480-15" dated April 13, 2020 from the Commissioner of Corporate Services and Chief Financial Officer be exercised.
2. That the Purchasing Agent or designate be authorized to execute an amendment to the existing contract with KPMG LLP to increase the total contract value to \$1,552,500 and extend the contract end date to November 1, 2025, in accordance with section 18(2)(d)(i) of the City's Purchasing By-law 374-06, as amended.
3. That KPMG LLP be appointed the City's external auditors for the audit years 2020 to 2024, in accordance with the Audit Committee Terms of Reference.
4. That the amendment referred to in recommendation 2 include audits of accommodation providers as are required to enforce the Municipal Accommodation Tax (MAT) By-law.

Background

Section 296(1) of the *Municipal Act* requires a municipality to appoint an auditor to annually audit the accounts and transactions of a municipality, and provide an opinion on its financial statements. Under the Audit Committee Terms of Reference (By-law 0069-2015), Audit Committee is responsible for making recommendations to Council on the selection and dismissing of the external auditor, reviewing the terms of engagements, fees, and scope of the audit and any non-audit services provided to the City.

Comments

KPMG LLP has been providing the City with statutory audit services to the City of Mississauga since 1994. In November 2015 following a competitive procurement process, KPMG was awarded the current contract as the only bidder to submit a proposal. The contract was signed for a 5-year term, ending November 2020, and is subject to a renewal for a further 5-year term at the City's sole option. Staff have been pleased with the performance and professionalism of KPMG as they fulfill their obligations of the external audit process.

By-law 0023-2018, approved on April 1st, outlines an audit and inspection component to the administration of Municipal Accommodation Tax (MAT) collections. This requires the City, or an agent acting on its behalf, to perform audits on accommodation providers as required to administer and enforce the By-law. KPMG currently performs MAT audits on behalf of the City of Toronto, and are well versed in the audit procedures necessary to administer the By-law. Staff are recommending to include these MAT audits as part of the overall external audit contract with KPMG.

In order to support an extension to the existing Statutory Audit Services contract, and include the MAT audits into the scope of the services provided, an amendment to the existing contract with KPMG LLP is required. Staff are proposing to amend the existing contract that include the following:

- Extending the existing contract with KPMG for an additional 5 years, covering the 2020 to 2024 external audits
- A 4.6% increase in the cost of the external audit over the 5 year period
- Including the required MAT audits within the scope of services to be provided by KPMG.

Finance and Materiel Management staff will collaborate to establish the detailed requirements, negotiate the final arrangements and prepare the requisite forms including the contract amendment.

Financial Impact

The costs for delivering all statutory audit services are fully funded through the City's operating budget. The costs for delivering the MAT audit services are fully funded through the Municipal Accommodation Tax revenues received. No additional funding is being requested through this report.

The current annual costs to perform the City's external audit is \$129,250. The contract value for KPMG is proposed to increase by \$906,250 to accommodate the additional 5 year extension and to incorporate MAT audits during this period. The total revised contract value.

Audit Item	2020	2021	2022	2023	2024	5-Year Total
External Audit	\$135,250	\$135,250	\$135,250	\$135,250	\$135,250	\$676,250
MAT Audit	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000	\$230,000
Total	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$906,250
Plus: Year 1-5 Contract Costs						\$646,250
Total Revised Contract Value						\$1,552,500

Conclusion

KPMG LLP has been providing statutory audit services to the City since 1994. Staff are pleased with the professionalism and quality of services provided. With the current contract ending in 2020, staff are recommending an extension to the current contract for an additional 5-year term, with an additional provision included to perform audit services in conjunction with administering the Municipal Accommodation Tax. The costs for delivering all statutory audit services are fully funded through the Finance operating budget, and the costs for delivering the MAT audit services are fully funded through the Municipal Accommodation Tax revenues received.



Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

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